Legislative Budget Analysis 2011 Biennium

Volume 4—Agency Budgets

Health and Human Services (Section B)

January 2009

Legislative Fiscal Division

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Legislative Budget Analysis

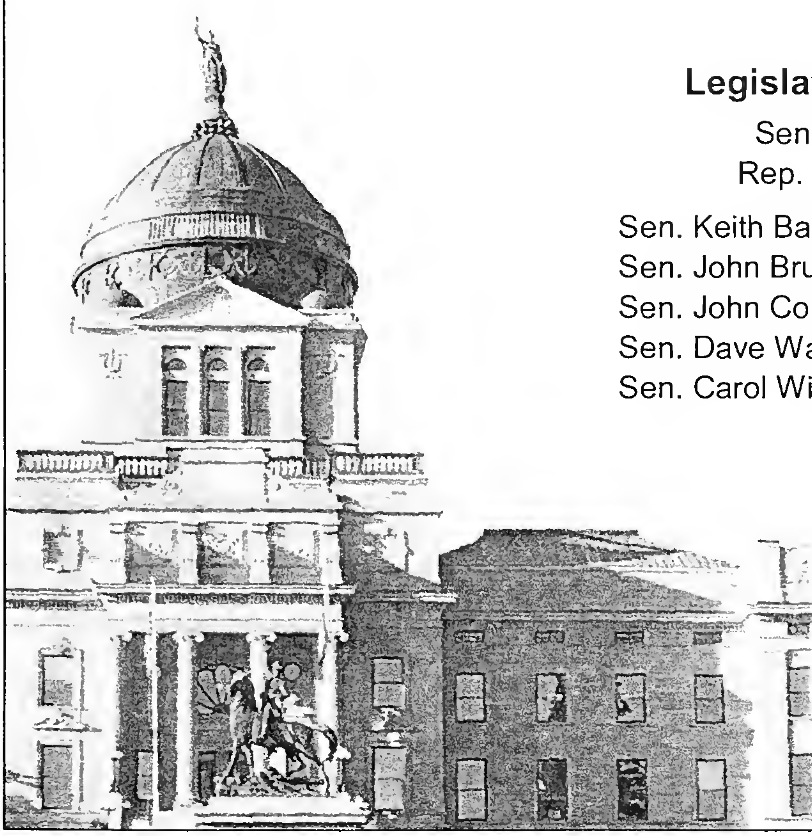
2011 Biennium

Volume 4 – Agency Budgets

Presented to the Sixty-First Legislature

Submitted by the

Legislative Fiscal Division



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AGENCY SUBCOMMITTEE GROUPINGS

The following sections (A through F) provide a detailed explanation and analysis of the executive budget for each agency and agency program that contains appropriations in HB 2. The agencies are grouped by functional categories that mirror agency groups by appropriations subcommittee. The groups are summarized below. Programs funded with proprietary funds are not funded in HB 2, but an explanation and analysis of these programs are included in each agency narrative for the purpose of legislative rate-setting.

GENERAL GOVERNMENT (Section A)

- Legislative Branch
- Consumer Counsel
- Governor's Office
- Secretary of State
- Commissioner of Political Practices
- State Auditor
- Revenue
- Administration
- Montana Consensus Council
- Commerce
- Labor and Industry
- Military Affairs

HEALTH AND HUMAN SERVICES (Section B)

- Public Health and Human Services

NATURAL RESOURCES AND TRANSPORTATION (Section C)

- Fish, Wildlife, and Parks
- Environmental Quality
- Transportation
- Livestock
- Natural Resources and Conservation
- Agriculture

JUDICIAL BRANCH, LAW ENFORCEMENT, AND JUSTICE (Section D)

- Judicial Branch
- Crime Control Division
- Justice
- Public Service Regulation
- Office of Public Defender
- Corrections

EDUCATION (Section E)

- Office of Public Instruction
- Board of Public Education
- School for the Deaf and Blind
- Montana Arts Council
- State Library Commission
- Montana Historical Society
- Commissioner of Higher Education
- Community Colleges
- University Units and Colleges of Technology
- Agricultural Experiment Station
- Montana Extension Service
- Forestry and Conservation Experiment Station
- Bureau of Mines & Geology
- Fire Services Training School

LONG-RANGE PLANNING (Section F)

- Long-Range Building Program
- State Building Energy Conservation
- Long-Range Information Technology Program
- Treasure State Endowment Program
- Treasure State Endowment Regional Water System
- Renewable Resource Grant & Loan Program
- Reclamation & Development Grant Program
- Cultural and Aesthetic Grant Program
- Quality School Facilities Program

Where can you find each section in the *Legislative Budget Analysis 2011 Biennium*, Volumes 3-7?

Volume 3 contains Section A
Volume 4 contains Section B
Volume 5 contains Section C
Volume 6 contains Section D
Volume 7 contains Sections E & F

AGENCY BUDGET ANALYSIS (ROAD MAP)

The purpose of the "Agency Budget Analysis" (LFD Volumes 3 through 7) is to provide a resource for legislators and members of the public to understand and allow for action on state agency budgets. It is designed to be a working document for use by the joint appropriations subcommittees. It does this by:

- Detailing components of the executive budget
- Raising budget and other issues for legislative consideration

This section provides a roadmap for using the Agency Budget Analysis volumes by discussing each component.

BUDGET TIERS

The section is constructed based on the statutory requirement that the budget be presented in three tiers:

1. Base budget;
2. Present law budget; and
3. New proposals.

(For a further explanation of these tiers and how they are derived, see page 1 of the "Reference" section, or the publication entitled "Understanding State Finances and the Budgeting Process", available through the Legislative Fiscal Division and on the Internet at http://leg.mt.gov/content/publications/fiscal/leg_reference/Understanding_State_Finances.pdf). The analysis is presented in a manner to allow the legislature to see and act on each present law adjustment and new proposal made to the base budget to derive the executive budget, by summarizing and raising issues with those adjustments.

LEGISLATIVE FISCAL DIVISION (LFD) ISSUES AND COMMENTS

While LFD staff has written the entire analysis document, parts are meant strictly to explain what is in the executive budget in a way that does not justify or advocate the executive position.

The heart of the analysis is in two areas:

1. The LFD issues and comments provided on the proposed budget. If the LFD analyst has raised an issue with anything contained in the executive budget or with any other aspect of agency operations and expenditures, it is included as an "LFD Issue". The analyst may also provide additional information to aid the legislature in its decision making under the heading "LFD Comment". All issues and comments are clearly identified in the narrative; and
2. Other issues and options. In order to provide the legislature with alternatives to the executive budget, as well as budget-making flexibility, LFD staff has provided other issues and options for consideration by the legislature.

COMPONENTS OF THE AGENCY BUDGET ANALYSIS

For all multiple program agencies, the narrative is divided into two parts:

1. The agency narrative; and
2. The program narrative.

Agency Narrative

The agency narrative provides an overview of the executive budget and other issues and options for that agency. Since the legislature appropriates at the program level, only issues raised in the analysis with an agency-wide or multiple-program impact are discussed at this level. All other discussion occurs within the relevant program narratives.

Each agency narrative has the following components.

1. The **Main Table** shows the adjusted actual expenditures and appropriations of the current biennium and the executive request for the upcoming biennium by year. The reader can use this table to get a general idea of the size and funding of the agency, and compare the upcoming biennium totals to the current biennium.
2. **Agency Description** is a brief description of the agency, along with its mission statement.
3. **Agency Highlights** is a table showing the principal factors influencing the budget and any related discussion. It is designed to aid the reader in gaining an understanding of the overall agency budget or significant budget areas.
4. **Agency Discussion** provides additional information or overarching discussion. In addition, if the previous legislature funded any new initiatives of an agency-wide nature, a brief update is provided. For each agency, any agency-wide goals and objectives pertinent to the legislature's discussion, as well as a recap of any agency-wide goals and objectives monitored by the Legislative Finance Committee during the interim, are listed and discussed as appropriate.
5. **Personal Services** provides the legislature, as part of an new initiative, with pertinent data on personal services that would allow the legislature to identify and address those factors impacting personal services expenditures and related policy issues. Factors addressed in this section include market salaries and obstacles to achievement of market goals. The program sections address other, program specific questions.
6. **Funding** is a table and related discussion that shows the total biennium funding, by program and fund type, proposed by the Governor.
7. **Statutory Appropriation** is a table showing any statutory appropriations received by the agency, in order to provide a more complete picture of total appropriations.
8. **Budget Summary by Category** summarizes the executive budget by base budget, statewide present law adjustment, other present law adjustments, and new proposals proposed by the Governor for each year of the biennium.
9. If included by the executive, a discussion of the following two types of proposals is included, each with LFD comments as appropriate:
    - **Supplemental Appropriations** discusses supplemental appropriations recommended by the Governor for FY 2007, or supplemental appropriations approved in FY 2006
    - **Reorganizations** details any major reorganization that took place in the 2007 biennium or is proposed by the executive for the 2009 biennium
10. **Language** includes any agency-wide language proposed by the executive.
11. **Executive Recommended Legislation** is a listing and discussion of any legislation with a likely fiscal impact proposed by the executive and pertinent to the agency. This section is designed to alert the legislature to other legislation not included in HB 2 that could have a bearing on the agency budget and operation.
12. **Agency Issues** is a discussion by the LFD analyst of any identified agency-wide or multi-program issues. Otherwise, all discussions of adjustments and attendant issues are included in the relevant program narratives.
13. **Elected Officials New Proposals** lists new proposals advocated by agencies headed by either an elected official or the Board of Regents but not included in the executive budget.

Note: The main and budget summary tables, the agency description, mission, and the highlights and funding tables are included in each agency narrative. However, the other components are "optional", indicating they are included only if circumstances warrant.

Program Narrative

Narratives detailing each agency program follow the agency narrative. The program narrative contains the following components.

1. The **Main Table** contains the same information as the agency main table for each program of the department, including adjusted actual expenditures and appropriations of the current biennium and the executive request for the upcoming biennium, by year.
2. **Program Description** is a short description of the program and its functions.
3. **Program Highlights** is a table showing the principal factors influencing the budget and any related discussion.
4. **Program Narrative** details any points of overall program discussion by the LFD analyst. If the previous legislature funded any new initiatives, a brief update is provided.
5. **Funding** details program funding as proposed by the executive, and any issues raised by the LFD analyst.
6. **Program Reorganization** details any program reorganizations that took place in the 2005 biennium or that are proposed by the executive for the 2009 biennium.
7. **Budget Summary by Category** summarizes the executive budget by base budget, statewide present law adjustment, other present law adjustments, and new proposals proposed by the Governor for each year of the biennium.
8. The **Executive Present Law Adjustments Table** delineates the major present law adjustments included by the executive, by fiscal year and funding source. The table is divided into two sections:
   - Statewide present law adjustments, which include most personal services adjustments, the executive's vacancy savings recommendation, and adjustments due to fixed costs and inflation
   - Other present law adjustments proposed by the executive
9. **Executive Present Law Adjustments** discusses each adjustment proposed by the executive in more detail. The section begins with a discussion that addresses personal services expenditures and policy issues specific to the program, including market rate, vacancies, how the legislatively applied vacancy savings was met, pay changes made outside of any legislative pay changes, and the number of employees eligible for full retirement and the related unfunded liability. This discussion is followed by a description of each adjustment proposed by the Governor. The LFD analyst writes the adjustment descriptions based upon justifications submitted by the executive. It should be noted that it is the responsibility of the LFD analyst to explain a requested change, but not to advocate for or attempt to justify that request. If the LFD analyst has raised an issue with the adjustment, it is presented when the adjustment is discussed.
10. The **New Proposals Table** shows each new proposal requested by the executive, by fiscal year and funding source.
11. **New Proposals** discusses each new proposal in more detail. If the LFD analyst has raised an issue with the proposal it is presented with that new proposal. As with present law adjustments, the LFD has written these explanations based upon submissions by the executive. For certain new proposals (and significant present law adjustments), a discussion submitted by the agency (with editing for clarity and brevity by LFD staff) is included that discusses goals, performance criteria, milestones and timetables, and other information designed to provide the legislature with information with which to evaluate the proposal. LFD staff provides any comments or issues with the submission.
12. **Language** recreates any program specific language proposed by the executive, with LFD comments as appropriate.

13. **Executive Recommended Legislation** is a listing and discussion of any legislation with a likely fiscal impact proposed by the executive and pertinent to the program.
14. **Other Issues** contains any issues identified by the LFD analyst unrelated to a specific present law adjustment or new proposal.

The legislature does not appropriate enterprise funds (which fund operations that provide goods or services to the public on a user charge basis) or internal services funds (which fund operations that provide goods and services to other entities of state government on a cost-reimbursement basis). However, the executive must review enterprise funds and the legislature approves all internal service rates. If the program includes a function supported by either an enterprise fund or an internal service fund, a separate section within the relevant program provides the following:

1. A **Fund Balance Table** shows actual and projected rates, revenues, expenditures, and fund balance through FY 2009; and
2. **Narrative** contains a discussion of the function, a description and explanation of the rate requested, and a discussion of any significant present law adjustments or new proposals impacting the requested rate. The LFD analyst addresses any issues and comments as appropriate.

STATEWIDE PRESENT LAW ADJUSTMENTS

"Statewide Present Law Adjustments" are those adjustments applied to each agency based upon either: 1) factors beyond the individual agency control; or 2) other underlying factors. Because of the global application of these factors and the need for consistency among agencies, these adjustments are included in the "statewide" section of the present law table to alert subcommittees and other decision makers that, if adjustments are made to these costs, adjustments should be made to the underlying factors upon which the adjustments are based. The Legislative Finance Committee (LFC) will make a recommendation on these and other adjustments to appropriations leadership.

Personal Services

Personal services costs are derived by taking a "snapshot" of state employee positions and the factors determining compensation rates at a particular point in time. A number of underlying factors will make the upcoming biennium personal services costs different from actual base year costs. The most important are:

Current Biennium Pay Plan and Other Benefits

The 2007 legislature adopted a pay plan that, among other features, provided two increases.

1. An overall increase in pay of 3.0 percent in each year of the biennium and a further 0.6 percent discretionary fund increase, both beginning on October 1 of each year.
2. An increase in insurance rates of $33 per month beginning on January 1, 2008 and a further increase of $36 per month on January 1, 2009 (the increases for the Montana University System begin on July 1 of each fiscal year).

Since the pay plan was increased in FY 2009 and not fully implemented in the base year, adjustments were made to each employee's compensation to reflect actual agency costs in the 2011 biennium. In addition, any changes made to benefits that an agency must pay directly to or in support of an employee, such as pension, or unemployment and workers' compensation insurance, are automatically reflected in the present law personal services.

Vacancy Savings

Vacancy savings is a reduction in personal services costs that results when positions are not filled for the entire year. Vacancy savings will fluctuate within agencies and programs from year to year. In order to provide the legislature with the opportunity to make all policy decisions regarding vacancy savings, each position is funded as if the position were filled for the entire year, regardless of any vacancy savings that may have occurred in FY 2008.

Termination Pay

Costs incurred by agencies due to termination of employment, such as accrued sick or annual leave, are not included in present law.

Other Adjustments to Pay

All other changes to salaries authorized during the biennium through the "snapshot" date (July of FY 2008) are included in present law.

Any adjustments to personal services from sources within the control of the executive, such as overtime, new or deleted positions, or proposed transfers, should not be included in the statewide adjustments. If the LFD analyst has identified any of the adjustments in the statewide adjustment line, they are discussed as an LFD issue or comment.

Vacancy Savings

As of this writing, the executive has proposed a 4 percent vacancy savings rate on all salaries and benefits, including insurance, for most positions. Exempted positions include university system faculty, and those in agencies with fewer than 20 full-time equivalent positions, the Judicial Branch, the highway patrol, game wardens, and the Legislative Branch.

Inflation/Deflation

The executive budget has inflated or deflated certain operating expenses. Each agency budget is automatically adjusted to add inflation to or subtract deflation from the relevant expenditure items. Therefore, changes to inflation/deflation amounts in the agencies can only be made through an adjustment to the actual expenditure against which the inflation/deflation is applied, rather than to the inflation/deflation factor, itself.

Note: A complete listing of expenditure categories inflated or deflated in the executive budget has been included in the "Reference" section.

Fixed Costs

Fixed costs are costs charged to agencies to fund the operations of certain centralized service functions of state government (such as information technology, messenger services, and legislative audit). Costs charged to the individual agency budgets are based upon the cost in the service agency and the method used to allocate those costs. These fixed costs are automatically added to each agency budget, as appropriate. Any changes to these allocations must be made through a change to the service agency budget, or to the allocation method used by the service agency. The General Government and Transportation Subcommittee will review the fixed costs proposals.

Note: A complete listing of all fixed costs is included in the "Reference" section.

HEALTH
AND
HUMAN SERVICES

Section B

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

---------------------Agencies--------------------

Public Health & Human Services

----------------Committee Members-----------------

House	Senate
Representative Teresa Henry (Chair)	Senator Dave Lewis (Vice Chair)
Representative Penny Morgan	Senator John Esp
Representative Carolyn Pease-Lopez	Senator Trudi Schmidt
Representative Don Roberts	Senator Dave Wanzenried

--------------Fiscal Division Staff----------------

Lois Steinbeck
Marilyn Daumiller
Kris Wilkinson

Agency Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	2,892.38	2,892.38	3,003.43	3,009.93	2,892.38	3,009.93	117.55	4.06%
Personal Services	142,108,302	153,945,422	165,475,009	166,640,725	296,053,724	332,115,734	36,062,010	12.18%
Operating Expenses	96,844,794	95,175,297	105,465,358	105,454,241	192,020,091	210,919,599	18,899,508	9.84%
Equipment & Intangible Assets	1,319,488	473,578	1,519,488	1,469,488	1,793,066	2,988,976	1,195,910	66.70%
Capital Outlay	0	175,067	0	0	175,067	0	(175,067)	(100.00%)
Grants	67,336,765	71,290,230	76,521,273	75,956,804	138,626,995	152,478,077	13,851,082	9.99%
Benefits & Claims	1,049,202,540	1,268,162,821	1,255,566,316	1,318,089,847	2,317,365,361	2,573,656,163	256,290,802	11.06%
Transfers	0	0	0	0	0	0	0	n/a
Debt Service	510,379	695,800	516,779	516,779	1,206,179	1,033,558	(172,621)	(14.31%)
Total Costs	**$1,357,322,268**	**$1,589,918,215**	**$1,605,064,223**	**$1,668,127,884**	**$2,947,240,483**	**$3,273,192,107**	**$325,951,624**	**11.06%**
General Fund	348,225,059	396,614,084	410,380,386	426,864,044	744,839,143	837,244,430	92,405,287	12.41%
State Special	106,278,801	130,660,952	144,060,240	149,573,424	236,939,753	293,633,664	56,693,911	23.93%
Federal Special	902,818,408	1,062,643,179	1,050,623,597	1,091,690,416	1,965,461,587	2,142,314,013	176,852,426	9.00%
Total Funds	**$1,357,322,268**	**$1,589,918,215**	**$1,605,064,223**	**$1,668,127,884**	**$2,947,240,483**	**$3,273,192,107**	**$325,951,624**	**11.06%**

Agency Description

Mission statement: Improving and Protecting the Health, Well-Being and Self-Reliance of All Montanans

The Department of Public Health and Human Services (DPHHS) administers a wide spectrum of programs and projects, including: public assistance, Medicaid, foster care and adoption, nursing home licensing, long-term care, aging services, alcohol and drug abuse programs, mental health services, vocational rehabilitation, disability services, child support enforcement activities, and public health functions (such as communicable disease control and preservation of public health through chronic disease prevention).

The department is also responsible for all state institutions except prisons. DPHHS facilities include: Montana State Hospital, Warm Springs; Montana Mental Health Nursing Care Center, Lewistown; Montana Chemical Dependency Center, Butte; Eastern Montana Veterans' Home, Glendive; Montana Veterans' Home, Columbia Falls; and Montana Developmental Center, Boulder.

Agency Highlights

Department of Public Health and Human Services
Major Budget Highlights

- The 2011 biennium DPHHS budget request is $326.0 million ($92.4 million general fund) higher than the 2009 biennium
  - Funding for benefits (direct services to eligible persons) adds $256 million, largely due to increases in Medicaid service utilization and eligibility increases
  - Personal services increases by $36.0 million, including funding for 117.55 new FTE
    - 60.00 FTE are requested to implement Healthy Montana Kids (implemented by citizen initiative November 2008), 54.00 of which would primarily work with applications and eligibility
    - 10.00 FTE for local Offices of Public Assistance for application and eligibility work for SNAP (food stamps),

- TANF, and Medicaid
  - 14.30 FTE for the Montana Veterans' Home in Columbia Falls
- Major initiatives in the executive budget are:
  - Implementation of Healthy Montana Kids - $114.6 million
  - Continuation of the hospital utilization fee, which expires June 30, 2009 - $28 million
  - Addition of $11.0 million total funds, including $4.0 million general fund to may be used to either increase the Medicaid community waiver services for aged or disabled adults, increase direct care worker wages, or fund additional community services
  - Provider rate increases - $14.0 million, including $5.3 million general fund
  - Expansion of Medicaid services to cover certain transplants for adults - $6.1million
  - Continuation of $2.1 million of the $3.0 million one time general fund appropriation for aging community services
  - Annualization of programs implemented during FY 2008 including:
    - Continuation of Medicaid rate increases implemented January 1, 2009 to fund healthcare for healthcare workers - $10.3 million, with $0.9 million general fund
    - Medicaid community based waiver service increases for physically disabled and elderly persons as well as adults with a serious and disabling mental illness
    - FY 2009 provider rate increases
    - 72 hour mental health community crisis stabilization services

Major LFD Issues

- Effect of economic downturn is not reflected in most data used to project 2011 biennium costs for social service programs, which is particularly critical for Medicaid services
- Implementation of Healthy Montana Kids (HMK) includes significant policy questions. Will:
  - Medicaid eligibility changes enumerated for HMK be interpreted to alter standards for the entire Medicaid program or apply only to an expansion group funded by HMK?
  - A centralized eligibility process be implemented, potentially reducing the need for new staff?
  - Federal funding and regulatory interpretations be changed to allow timely implementation of HMK?
  - The executive budget funding request be more than is needed for the 2011 biennium?
- Federal grant funds are insufficient to fund current enrollment in the CHIP program beyond July 1, 2009 without federal reauthorization and significant expansion of the grant amount
- DPHHS reverted a considerable amount of general fund in FY 2008 and projects a minimum $10.7 general fund reversion in FY 2009
  - The FY 2009 estimate is conservative; reversions likely will be more
  - Legislators could consider amending the 2009 biennium HB 2, to reduce and capture reversions or appropriate unexpended appropriation amounts from FY 2009 that carry forward to fund 2010 biennium service costs
- Major state special revenue funds (tobacco tax and tobacco settlement

revenues):
- Can be used to potentially offset general fund in the executive budget up to $3.7 million
- Need to be balanced in either the short or long term depending on the particular fund

♦ The majority (54 percent) of DPHHS employees are eligible for full retirement in the 2011 biennium
♦ The majority of DPHHS programs submitted general objectives which are not sufficiently specific, measurable, or time-bound so that the legislature can form an appropriations policy on the program's budget
♦ Legislative interim committee recommendations are included in the agency summary or the program narratives

Agency Discussion

Goals and Objectives:

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the Legislative Fiscal Division recommends that the legislature review the following:

- o Goals, objectives and year-to-date outcomes from the 2009 biennium
- o Goals and objectives and their correlation to the 2011 biennium budget request

Any issues related to goals and objectives raised by LFD staff are located in the program section.

Agency Personal Services -

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- o **Agency Market** – The agency target market ratio for the 2011 biennium under the 2008 market survey is 100 percent for all current agency positions. The agency is organized into twenty-one collective bargaining agreements representing 2,088 members or two-thirds of the staff. Each of the bargaining units has aligned the agency's minimum market rate of 80 percent and has based the target market for their bargaining unit between 80 and 95 percent of the market rate depending on available funding. A discuss on the current market ratio, vacancies, pay raises, and retirements is included in the various program narratives
- o **Obstacles** – The most significant obstacle to accomplishing the progression above 80 percent of market rates towards full market pay rates is the lack of available funding. In addition, there is an agency-wide need for consistent policy and human resource support staff to assist in the development and implementation of compensation plans that are fair and consistent across the agency while also being responsive to the unique needs and resources of different units of the agency. Maintaining competitive, equitable pay across the agency continues to be a significant challenge

LFD COMMENT

A Significant Number of the DPPHS Employees are Eligible to Retire in the 2011 Biennium

Of the 3,009.93 full time positions in the 2011 biennium executive budget, 1,623.00 staff or 54 percent are eligible for full retirement. The estimated compensated absence liability associated with the potential retirements is $1.8 million. The number of staff eligible to retire varies by division. Figure 1 shows by division the number eligible and the associated estimated compensated absence liability.

While the potential dollar impact of the retirements is significant, the loss of program knowledge and abilities is also significant. DPHHS division staff is concerned about the planned and potential retirements of employees in several positions and is taking steps for knowledge sharing and cross training.

Figure 1
Department of Public Health and Human Services
Estimated Compensated Absence Liability by Division
Employees Eligible for Full Retirement in the 2011 Biennium

Division	Eligible to Retire	Compensated Absence Liability
Addictive and Mental Disorders Divison	271	$439,992
Disability Services Division	306	391,104
Human and Community Services Division	258	285,180
Child and Family Services Division	187	162,960
Public Health and Safety Division	154	130,368
Quality Assurance Division	77	114,072
Senior and Long-term Care Division	123	97,776
Health Resources Division	4	32,592
Director's Office	32	48,888
Business and Financial Services Division	53	40,740
Child Support Enforcement Division*	115	24,444
Technology Services Division	43	24,444
Total	1,623	$1,792,560

*The estimated compensated absence liability was provided by DPHHS.

Agency Overview

The DPHHS budget request grows $326.0 million over the biennium compared to the 2009 biennium. The majority of growth is in the benefits and claims category with $256.3 million for payment for direct services to individuals. Personal services grow $36.1 million and include funding for 117.55 new FTE, with 60.00 FTE requested for implementation of the Healthy Montana Kids (HMK) program enacted by passage of I-155 in November 2008. Other major increases include 14.30 new FTE for the Montana Veterans' Home and 10.00 new FTE for the Offices of Public Assistance for application and eligibility work for SNAP (food stamps), TANF, and Medicaid.

Going into the 2009 biennium, there were nearly 3,000 FTE funded by HB 2 of which over 1,200 were employed by the six state institutions operated by DPHHS, over 900 were field staff located throughout the state, and about 900 were located in Helena. The six institutions that employ 40 percent of the DPHHS workforce include: Montana State Hospital, Warm Springs; Montana Mental Health Nursing Care Center, Lewistown; Montana Chemical Dependency Center, Butte; Eastern Montana Veterans' Home, Glendive; Montana Veterans' Home, Columbia Falls; and Montana Developmental Center, Boulder.

Medicaid Services Drive Costs

Medicaid service expenditures are the single largest cost driver in the DPHHS budget, with about $2 billion in funding in the Governor's 2011 biennium budget request. The divisions responsible for the Medicaid services, the total budget request for the 2011 biennium, and major types of services funded are:

- Health Resources Division – over $910 million
  - $210 million general fund, $630 million federal Medicaid funds, $70 million state special revenue
  - Hospital, physician, prescription drugs, dental, and children's mental health services
- Senior and Long Term Care – over $470 million
  - $107 million general fund, $320 million federal Medicaid funds, $48 million state special revenue

  - Nursing home services, personal assistance, community services for elderly and physically disabled persons, and hospice
- Disability Services Division – over $181 million
  - $53 million general fund, $128 million Medicaid federal funds, $6 million state special revenue
  - Community services for developmentally disabled adults and children
- Addictive and Mental Disorders – over $92 million
  - $21 million general fund, $64 million Medicaid federal funds, $8 million state special revenue
  - Adult mental health and chemical dependency services

Changes in Medicaid service utilization and the number of persons eligible for services has a major impact on the DPHHS budget. A 1 percent change in Medicaid services costs, excluding provider taxes, county nursing home match, and 100 percent federal pass through to Indian Health Services and schools, would alter DPHHS spending by over $17 million over the biennium, including over $5 million in state matching funds.

Federal/State Medicaid Services Match Rates

The federal Medicaid match rate is determined by a formula that compares a state's per capita income to national per capita income over the previous three years. Since Montana per capita income fared better in more recent comparisons, its federal Medicaid match rate declined and the state Medicaid match increased from 31.41 in FY 2008 to 32.51 percent in FY 2010, with a projected increase to 32.97 percent in FY 2011 (for most Medicaid services). The impact of the match rate change is discussed in detail at the program level.

Each 1 percent change in the Medicaid match rate causes an $18 million change in state matching funds over the 2011 biennium (based on the executive request and including all federal funding streams). The Medicaid match rate is also the match rate for federal Title IV-E funding for foster care, and child care matching funds, and the match rate for the Children's Health Insurance Program (CHIP) is a percentage of the Medicaid match rate.

LFD ISSUE

Match Rate Changes Occur when the Legislature is not in Session

If Montana per capita income declines proportionally more than national per capita income in the next reporting period, the federal Medicaid match rate would increase offsetting a like amount of general fund. Match rates change October 1. Therefore, the FY 2011 match rate is estimated and would be the only year that would be subject to change before the legislature convenes in 2011. Additionally, a federal stimulus package is likely to be considered in early 2009, which could include a bump in the federal Medicaid match rate for all states. The legislature may not know the outcome of any potential stimulus package before it adjourns.

Options:
The legislature may wish consider what action it might take in the event that the federal Medicaid match rate is raised after it is no longer in session. There are two scenarios to consider: 1) changes that occur as a result of calculation of the final 2011 FMAP rate; and 2) changes that occur as a result of a potential federal stimulus package, which may have federal conditions.

LFD ISSUE (CONT.)

The legislature may want to:

- o Direct the executive to implement 17-2-108 (2), MCA, which allows the Office of Budget and Program Planning to increase federal appropriations and reduce general fund appropriations by the same amount for federal funds received in excess of an appropriation in an appropriation act
- o Allow DPHHS to retain any general fund freed up as a "safety net" in the event service costs increase beyond legislative expectations
- o Appropriate general fund available in the event that the federal match rate is increased and specify a priority if there is more than one appropriation
- o Establish a reserve for Medicaid costs in excess of a certain level of appropriations in the general appropriations act in the event the economic downturn is more intense or of longer duration than estimated when establishing Medicaid appropriations for the 2011 biennium

Summary of FY 2008 Reversions, Appropriation Transfers, and Operating Plan Adjustments

DPHHS reverted $21.6 million general fund from unspent appropriations in FY 2008. The reversion would have been $10.6 million higher, except the agency transferred that amount of excess general fund appropriations to other uses. Figure 2 shows reversions above $500,000. Nearly half of the total reversion came from surplus Medicaid services appropriations.

Figure 2

Major Reversions by Program and Purpose - FY 2008

Program/Purpose	Amount	Percent Total	Percent Cumulative
Medicaid-Physicians	$3,836,902	17.7%	17.7%
Medicaid-Dental, Therapies, Transportation	3,452,175	15.9%	33.7%
Medicaid Hospital Services	2,192,093	10.1%	43.8%
Medicaid Children's Mental Health	2,007,954	9.3%	53.1%
72 Hr Community Crisis Stabilization	1,362,357	6.3%	59.4%
Medicaid Nursing Home	1,350,310	6.2%	65.6%
Mental Health Nursing Care Center	761,059	3.5%	69.1%
Montana State Hospital	743,516	3.4%	72.5%
Medicaid Personal Assistance, Hospice	617,016	2.8%	75.4%
Medicaid Administration	544,028	2.5%	77.9%
Other Reversions less than $500,000 Each	4,783,996	22.1%	100.0%
Total	$21,651,407		

A portion of the reversions was due to delayed implementation of new initiatives funded from restricted appropriations. Start up of some of the new programs and services was slowed due to unanticipated obstacles and the sheer number of new initiatives approved. For instance, implementation of 72 hour mental health community crisis stabilization services for persons was delayed and $1.4 million general fund reverted.

The reasons that Medicaid appropriations were greater than actual costs are discussed in the Health Resources Division budget analysis. However, two of the most significant contributors were:

- o Lower enrollment partially due to higher employment, particularly in the natural resources sector
- o A one time speed up of claims payment due to processing a large backlog of claims in a short time period, which caused a significant spike in costs right before the 2007 session

Despite adjustments of more than $30 million to account for the anomaly in Medicaid cost data, 2009 biennium projections (and therefore appropriations) were significantly greater than actual costs.

Summary of Appropriation Transfers

Appropriation transfers are statutorily defined changes subject to the approval of Office of Budget and Program Planning for most agencies, although transfers meeting a statutory threshold must be reviewed by the Legislative Finance Committee. All of the general fund transfers implemented by DPHHS complied with statute, HB 2 appropriation restrictions, and verbal testimony/commitments to the 2007 Legislature.

Over half of the transfers moved general fund from benefit appropriations to operating costs. As stated, most of the transfers were from excess general fund appropriated for state match for Medicaid services that was available due to lower than anticipated Medicaid benefits costs. Appropriations for state Medicaid matching funds totaled 78 percent of the general fund appropriation transfers - $9.5 million of the $10.6 million total.

Some of the transfers were spent in operating cost categories and rolled forward as part of the FY 2008 base budget. In some instances, the 2011 biennium executive budget was revised to remove the impact:

- $0.2 million transferred to the Laboratory Services Bureau, which is supported by fee income, was removed from FY 2008 base budget expenditures
- $1.2 million general fund was removed from the Montana State Hospital present law request, and most if it reinstated as new proposals

Some of the transfers supported one time costs that may be indirectly included in the agency base budget as payment of the one time costs freed up other funds to be spent for ongoing expenses. One time costs funded were:

- $0.3 million for termination payouts (usually paid from personal services funding)
- $0.2 million for computer equipment
- $1.1 million for remodel work and relocation of staff

LFD staff noted the changes in the executive budget and raised other issues related to general fund transfers or cost allocated functions in analysis of specific program budgets.

LFD ISSUE

Potential General Fund Reversions in FY 2009

As of November 2008, DPHHS estimated that it would revert $10.7 million general fund for FY 2009, with most of the reversion from Medicaid benefit appropriations, and $3.0 million for behavioral health inpatient treatment in 15-bed facilities that will not be used. At this point it appears that Medicaid costs will not increase enough before fiscal year end to substantially lower that amount.

The $10.7 million estimate may be conservative. The budget status report prepared for November 2008 shows restricted appropriations as fully expended and therefore not available for reversion because the authority is not available for transfer to other unrelated uses in the department.

Legislative Options
The legislature could consider two options regarding potential FY 2009 general fund reversions:

- Reduce general fund appropriations in the FY 2009 general appropriations act to immediately capture part of the excess
- Reappropriate unspent amounts of FY 2009 general fund appropriations that revert to cover FY 2010 costs

I-155 – Healthy Montana Kids
The Healthy Montana Kids plan (HMK) was enacted by voter initiative November 2008 (I-155). The amendment was effective on passage of the initiative.

The Healthy Montana Kids plan implemented several changes:

- Raised eligibility for the Children's Health Insurance Plan (CHIP) from 175 percent to 250 percent of the federal poverty level
- Raised Medicaid eligibility under the HMK program to 185 percent of the federal poverty level (compared to the regular Medicaid program where eligibility ranges 100 to 150 percent of the federal poverty level depending on the age of the child)
- Exempted asset tests in considering HMK eligibility (the regular Medicaid program establishes asset limits at $15,000 for all but disabled children served in a Medicaid community based waiver program)
- Diverted a portion of insurance premium taxes previously deposited to the general fund to a state special revenue account to support HMK ($60.6 million from November 2008 through the end of the 2011 biennium) and limited the use of funds to state match for federal funds and for enrollment levels in CHIP and Medicaid above the number of children enrolled November 4, 2008

Federal Approval and Funding Needed for Implementation

Implementation of HMK is contingent upon submitting state plan amendments for both CHIP and Medicaid and receiving federal approval for the changes to raise income eligibility for CHIP from 175 percent of the federal poverty level to 250 percent and to raise Medicaid eligibility to 185 percent of poverty and eliminate consideration of assets for the program. Federal funding must be available as well.

Federal Rule Interpretations Impact Implementation of HMK

A recent federal interpretation of the interplay between CHIP and Medicaid eligibility concluded that "once in CHIP, always in CHIP". The federal guidance means that if CHIP eligibility has been established for a particular income range, for instance if the eligibility range were up to 175 percent of the federal poverty level, then the children who would be covered under that income range must be covered under the state CHIP program. If costs exceed CHIP funding, the children eligible in that particular income range cannot be covered by a Medicaid eligibility expansion for income ranges below 175 percent of the federal poverty level. If this federal interpretation remains in force; Montana could be prohibited from implementing most of the Medicaid expansion. It is not clear whether the income limit for CHIP would be interpreted to be 175 or the newly enacted 250 percent of the federal poverty level.

Montana Federal CHIP Allotment will be Fully Expended by July 2009

The executive budget assumption that federal reauthorization of CHIP will be occur quickly in 2009 and that grant funding will be increased is also important for continuation of current enrollment in the CHIP program. CHIP enrollment stood at 17,240 in November 2008. The federal funding remaining for CHIP is sufficient to carry the program to July 1, 2009. If federal reauthorization lags, and grant levels are not increased, federal funding will not be sufficient to continue existing enrollment.

Montana has been spending carry forward federal grant funds due to lower enrollment in previous years. However, enrollment expanded during the 2009 biennium, drawing down federal reserves. FY 2008 federal funding for CHIP was $23.9 million, compared to an annual average grant amount of $15.4 million. Average monthly enrollment in FY 2008 was about 15,600.

Executive Budget Request Assumes Federal Approval and Federal Funding Increases

The executive budget assumes re-authorization of the federal CHIP bill early in the next congressional session. The executive budget also assumes that if CHIP re-authorization is not approved, HMK will be expanded through Medicaid for children under 19 years old to 185 percent of the federal poverty level through the state plan amendment.

Legislative Options with Respect to I-155 Healthy Montana Kids

This section summarizes major issues related to implementation of HMK and potential options for legislative consideration.

1. Federal funding and eligibility expansion approval

The legislature may wish to contact Montana's congressional delegation regarding CHIP reauthorization either to request that CHIP be reauthorized and funding expanded or to determine what is likely to happen at the federal level. Since a new president will take office, it is unclear what changes might occur and how quickly. The legislature may wish to request that DPHHS present a "back up plan" in the event federal funding levels and federal approval is not available in a timely manner, especially as federal funding relates to the CHIP program.

2. Implementation Plan and Schedule

The legislature may wish to ask DPHHS for its implementation plan and milestones. The executive budget request assumes that HMK will be implemented starting October 1, 2009. Several of the administrative activities that need to be completed to meet that deadline are:

- Submitting and receiving federal approval of state plan amendments for CHIP and Medicaid
- Developing, publishing, and adopting program rules
- Changing automated eligibility and claims payment systems

- Defining eligibility process – centralized or field staff
- Hiring and training new staff
- Developing and implementing an outreach plan

3. Staffing Needs

The legislature may wish to ask DPHHS whether it will implement a centralized eligibility process like the CHIP process or whether it will implement an eligibility process through deployment of additional field staff. Depending on the agency response, the legislature may wish to consider the level of funding for FTE.

4. DPHHS Interpretation of Changes Made by I-155

I-155 seems to implement a new, limited eligibility pool for Medicaid by raising income standards and exempting consideration of assets for HMK. It does not eliminate the assets test for other children applying for Medicaid. The legislature may wish to ask DPHHS how it will administer the changes made by I-155.

- Will DPHHS change Medicaid eligibility for all groups of children to the standards established in HMK?
- Will DPHHS ensure that program expenditures for expansions authorized by HMK will not exceed the state special revenue allocated to the program? If so, how will DPHHS monitor funding and how would it cap enrollment to avoid shifting expansion costs to the general fund?

5. Funding Needs Based on Phased in Implementation

Once the legislature reviews the implementation plan provided by DPHHS, it may wish to revise the HMK appropriation request. The executive budget is based on nearly full enrollment and implementation starting October 1, 2009.

6. Funding Enrollment in Current Programs Prior to Expansion

I-155 is limited to funding additional enrollment in CHIP and Medicaid. The state special revenue allocated to HMK could be used to provide services to eligible children enrolled in the existing Medicaid and CHIP programs after November 4, 2008 if enrollment increases. The legislature may wish to ask DPHHS if it anticipates using HMK funds for expanded enrollment in existing programs and if so, how will the funding changes be tracked and implemented.

<u>Recent Medicaid Trends will not Reflect Experience During the 2011 Biennium</u>

Medicaid costs experienced a period of cost moderation over the last several years. Figure 3 shows a comparison of total Medicaid costs by major eligibility group, the number of persons eligible, and the average cost per eligible person for FY 2003, 2005 and 2007.

Figure 3
Total Expenditures, Average Number Eligible, and Average Cost by Major Medicaid Eligibility Groups
FY 2003, FY 2005, and FY 2007

	<------------FY 2003------------>			<-----------FY 2005----------->			<------------FY 2007------------>		
Eligibility Category	Average Eligible	Total Expenditures	Average Cost	Average Eligible	Total Expenditures	Average Cost	Average Eligible	Total Expenditures	Average Cost
Aged	7,736	$145,817,084	$18,849	7,806	$161,928,618	$20,744	7,583	$158,522,107	$20,905
Blind & Disabled	17,380	257,224,638	14,800	18,459	301,910,542	16,356	19,359	323,444,945	16,708
Adults *	14,890	63,425,014	4,260	13,639	80,726,075	5,919	11,937	71,424,882	5,983
Children	43,014	102,574,541	2,385	46,992	130,176,550	2,770	45,281	152,288,912	3,363
Total**	83,020	$569,041,277	$6,854	86,896	$674,741,785	$7,765	84,160	$705,680,846	8,385
Annual Change				2.3%	8.9%	6.4%	-1.6%	2.3%	3.9%

*Adults who are not disabled or aged are eligible only if they are in families/households with dependent children and have countable incomes under 40.5% of the federal poverty level and fewer than $3,000 in resources. They are entitled to a basic set of services more limited than Medicaid services available to all other groups.

**The totals include costs and persons who are qualified Medicare beneficiaries.

All data based on state Medicaid reports provided to the legislature in advance of its biennial sessions.

Source: DPHHS, October 31, 2008.

The number of persons eligible for Medicaid declined between FY 2005 and FY 2007. Average monthly eligibility declined by 1,700 for adults (persons between the ages of 18 and 64) and expenditures for the group dropped by $9.3 million. Eligibility and total expenditures also dropped for the most expensive group – persons over 65. There were 227 fewer persons eligible for services and total costs declined by $3.4 million.

Economic Downturn

The nation entered a recession December 2007. The natural resources sector of the Montana economy helped insulate the state from the initial effects of the recession. However, when the price of oil fell and the recession worsened in other areas of the nation, the Montana economy began to show signs of an economic slowdown.

Effect on Human Services Programs

Many programs administered by DPHHS provide services to low income people and eligibility for services is often tied to a specific income. Montana income tax revenues have fallen sharply in the last several months, indicating that personal income may be declining. It is likely that additional persons will be eligible for services administered by DPHHS.

Some DPHHS services are entitlements, meaning that the service must be provided if the person meets eligibility criteria. The most significant entitlement programs administered by DPHHS are most Medicaid services, SNAP, and to a certain extent TANF cash assistance payments. Medicaid is funded by state and federal funds and SNAP benefits are entirely federally funded. TANF cash assistance payments are funded from the TANF block grant, which has a set level of funding. Therefore, should the number of families eligible for cash assistance increase substantially, reductions in the amount of the monthly cash benefits and/or the income level used in determining eligibility for the cash assistance program would be addressed.

Projecting Fiscal Impact

The data used to estimate Medicaid services during the legislative session will not capture the effect of the economic down turn because the most recent two years were periods of cost moderation. Additionally, Medicaid cost data is usually five to six months "behind" due to lags in claims payment. Other data anomalies that complicate Medicaid cost estimation are discussed in more detail in the Health Resources Division budget analysis.

Application Data

LFD staff requested data that DPHHS was compiling about the number of applications for public assistance programs. Since the automated system does not report the number of applications, it is a manual process to collect the number. DPHHS measured two points in time – May 2008 and October 2008. DPHHS has asked field staff to track the number of applications received in November and December 2008 and will provide that data to the legislature. This data may provide insight about the impact of the recession.

Rising Enrollment

The Medicaid cost estimates in the 2011 biennium executive budget were based on the most recent and complete expenditure data available. Due to the lag in claims payment, the most complete monthly expenditure data is usually five to six months "behind". Therefore, the data used to develop the executive budget would not have captured the effects of the slowing economy.

Medicaid Update

The Medicaid cost estimates will be updated during legislative consideration of the DPHHS budget. The most recent enrollment trends will be evaluated. DPHHS staff is reviewing historic data in an effort to estimate what might happen to Medicaid costs in the next two years.

Legislative Options:

If the Medicaid cost projections are higher than the executive request, legislative options generally are:

- o Appropriating additional state matching funds
- o Making reductions
- o Finding efficiencies

Provider Rate Increases

The 2007 Legislature funded nearly $43 million for provider rate increases, including $7 million general fund. The increase was provided with a delayed implementation date of October 1, 2008 in all divisions except the Senior and Long Term Care Division, which administers services for elderly and disabled persons.

The 2011 biennium budget includes $14.0 million, including $5.3 million general fund for a 1 percent provider rate increase. The proposal continues the delayed implementation and rate increases, and would be effective October 1 each year. Because of the delayed implementation, the proposal annualizes as 0.75 percent each year of the biennium. If all providers are to receive a 1 percent increase each year, it appears that the Child and Family Services Division may not have sufficient funds in FY 2011. The provider rate increases are also addressed at the program level.

The following figure shows the proposed provider rate increases by division.

Figure 4
Provider Rate Increases

	FY 2010 Budget Request		FY 2011 Budget Request		% of
Type of Service/Division	General Fund	Total Funds	General Fund	Total Funds	Total
Medicaid Services					
Senior and Long Term Care	$529,459	$1,628,605	$1,268,539	$3,847,556	40.9%
Health Resources Division	370,088	1,138,383	760,033	2,305,227	24.5%
Disability Services Division					
Developmentally Disabled Services	197,530	608,578	472,262	1,435,231	15.2%
Addictive and Mental Disorders					
Mental Health	98,493	302,961	206,080	648,449	6.9%
Chemical Dependency	0	11,429	0	23,395	0.2%
Subtotal Medicaid Services	1,195,570	3,689,956	2,706,914	8,259,858	87.7%
Non-Medicaid Services					
Disability Services Division					
Developmentally Disabled Services	67,498	67,498	159,183	159,183	1.7%
Early Intervention Ages 0 - 3	40,544	40,544	95,616	95,616	1.0%
Vocational Rehabilitation	87,429	87,429	206,185	206,185	2.2%
Senior and Long Term Care					
Aging Community Services	86,112	86,112	203,082	203,082	2.2%
Child and Family Services	101,791	142,768	138,776	194,641	2.1%
Addictive and Mental Disorders					
Mental Health Services Plan	65,965	65,965	133,576	133,576	1.4%
Chemical Dependency Community Services	63,197	63,197	127,972	127,972	1.4%
Health Resources Division					
CHIP (Dental/Vision)	0	16,616	0	33,645	0.4%
Subtotal Non-Medicaid Services	512,536	570,129	1,064,390	1,153,900	12.3%
Total Rate Increase	$1,025,072	$4,260,085	$3,771,304	$9,413,758	
Biennial Total			$4,796,376	$13,673,843	

Funding

The following table summarizes funding for the agency, by program and source, as recommended by the executive. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding
2011 Biennium Budget

Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
02 Human And Community Services	$ 66,961,298	$ 2,559,868	$ 413,929,907	$ 483,451,073	14.77%
03 Child & Family Services	71,015,877	5,015,079	57,095,437	133,126,393	4.07%
04 Director'S Office	7,743,230	712,720	14,835,209	23,291,159	0.71%
05 Child Support Enforcement	7,725,680	3,363,745	12,025,417	23,114,842	0.71%
06 Business & Financial Services Division	8,023,372	2,291,703	9,697,086	20,012,161	0.61%
07 Public Health & Safety Div.	6,789,236	35,619,831	89,287,638	131,696,705	4.02%
08 Quality Assurance Division	5,772,893	501,082	12,475,359	18,749,334	0.57%
09 Technology Services Division	17,226,126	2,209,814	23,214,732	42,650,672	1.30%
10 Disability Services Division	119,177,901	10,086,800	190,886,636	320,151,337	9.78%
11 Health Resources Division	268,876,635	138,887,743	880,780,461	1,288,544,839	39.37%
22 Senior & Long-Term Care	124,008,596	66,691,051	349,716,480	540,416,127	16.51%
33 Addictive & Mental Disorders	133,923,586	25,694,228	88,369,651	247,987,465	7.58%
Grand Total	$837,244,430	$ 293,633,664	$ 2,142,314,013	$ 3,273,192,107	100.00%

DPHHS is funded by over 190 distinct funding sources and more than half are federal sources. General fund supports 26 percent of the 2011 biennium budget request, state special revenue provides 9 percent, and federal funds are 65 percent of total funding. The DPHHS budget request accounts for over 24 percent of the total executive budget HB2 request and over 21 percent of the total general fund request.

Individually the top six DPHHS division budgets exceed most state agency budgets.

Most state funding is used as state match or maintenance of effort for programs funded partly with federal funds, including Medicaid, some foster care, subsidized adoption, and child care services as well as Temporary Assistance for Needy Families (TANF) and program administrative costs.

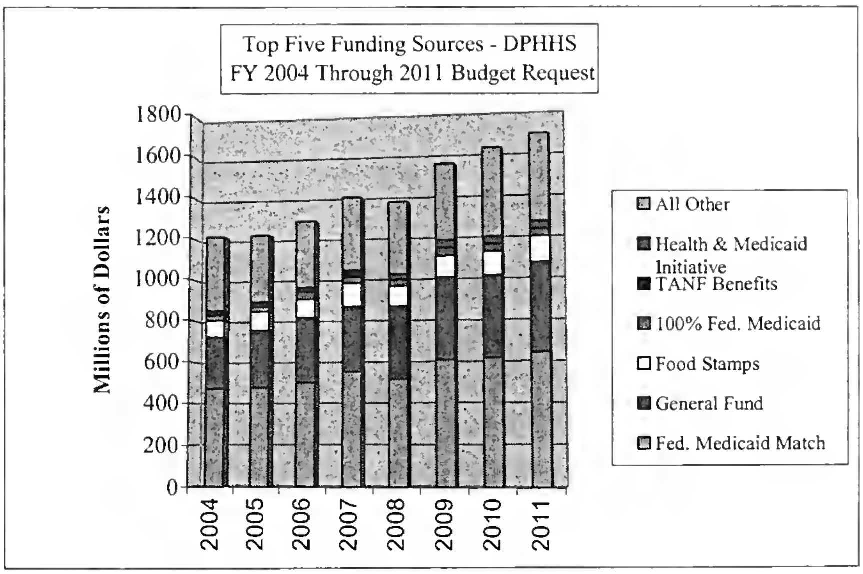
Top Five Funding Sources

Figure 5 shows the top five funding sources for DPHHS from FY 2004 through the FY 2011 executive request. Together these five funding sources account for over 80 percent of the total funding for each year shown. Federal Medicaid matching funds average about 38 percent of total funding in each year, followed by general fund at 25 percent. All of the other funding sources listed contribute less than 12 percent of total funds for each year of the biennium, including federal funds supporting food stamp benefits and federal Medicaid funds that are passed through to Indian Health Services and schools. In FY 2008, health and Medicaid initiative account funds broke into the top five funding sources, edging out the federal TANF block grant. The remaining funding sources that support DPHHS are discussed in greater detail in division budget narratives.

As mentioned in the agency narrative, a new program, the Montana Healthy Kids Initiative, is supported by over $18 million in FY 2010 and nearly $22 million in FY 2011 in state matching funds and accounts for about 1.3 percent of the total state special revenue for each year. Other sources of state special revenue that support in excess of 0.3 percent of FY 2011 costs are:

- o Hospital and nursing home utilization fees (utilization fees for services) – 1.9 percent
- o Tobacco settlement funds and interest on the tobacco settlement trust fund – 0.7 percent
- o Intergovernment county revenue transfers for Medicaid match – 0.4 percent
- o Cigarette taxes that support the veterans' homes – 0.4 percent
- o Alcohol taxes allocated to support chemical dependency services – 0.3 percent

Figure 5



Other federal sources individually support less than 1 percent of DPHHS costs in FY 2011 and are discussed in the division budget narratives.

State Special Revenue that Spends Like General Fund

There are two sources of state special revenue that can be used to fund many of the same activities as general fund: health and Medicaid initiative revenues and tobacco settlement funds, including trust fund income. The allocation of these funds in the DPHHS budget request is important because they can offset general fund or be used to fund new proposals that otherwise would be funded from the general fund. These revenue sources are summarized and the fund balance of each is provided so that the legislature will know what appropriations are proposed and what revenues are available.

Health and Medicaid Initiatives State Special Revenue

Voters enacted initiative 149 (I-149 – codified as 53-6-1201), MCA in the November 2004 election. The initiative raised tobacco taxes, directed deposit of the portion of the increased proceeds to the health and Medicaid initiatives account, and specified the uses of account funds. The state special revenue funds can be used:

- To maximize enrollment in CHIP and provide outreach to eligible children
- For a new need-based prescription drug program for children, seniors, chronically ill, and disabled persons
- For increased Medicaid services and Medicaid provider rates
- To fund new programs to assist eligible small employers with the costs of providing health insurance benefits to eligible employees
- To offset a loss of revenue to the general fund as a result of new tax credits
- To provide a state match for the Medicaid program for premium incentive payments or premium assistance payments to the extent that a waiver is granted by federal law

The initiative included language to prohibit the use of health and Medicaid initiative funds to supplant existing funds for prescription drug programs, Medicaid costs, and CHIP enrollment as of June 30, 2005. The funds cannot be used to offset general fund or other state funds to support present law caseload estimates for Medicaid.

<u>Legislative Policy</u>

The 2005 and 2007 legislatures raised CHIP funding, increased Medicaid provider rates, and established several new programs using health and Medicaid initiative account funds. The new programs were:

- Insure Montana – a program to help small employers provide health insurance for employees by subsidizing insurance premiums and to reimburse the general fund for the costs of tax credits for small employers already offering health insurance
- Big Sky Rx – a program for Medicare eligible persons with incomes below 200 percent of the federal poverty level to pay up to $33.11 per month for premiums for Medicare Part D prescription drug coverage
- Pharmassist – a program for Montanans to have in person consultations with a pharmacist about the prescription drugs they are taking

The legislature has attempted to structure appropriations to allow the account to remain solvent through FY 2012. Initial revenues into the account exceeded appropriations and the legislature intended that the account balance be drawn down gradually in order to fund the new programs and CHIP and Medicaid expansions. Fund balances have grown more than first anticipated due to lower enrollment in Big Sky Rx and delays in CHIP enrollment.

Executive Budget Request

Figure 6 shows the health and Medicaid initiatives account fund balance. The total fund balance available in FY 2008 was $87.2 million and expenditures were $36.9 million, about $13.0 million less than appropriated. Ongoing revenues are about $41.0 million annually.

Figure 6
Health and Medicaid Initiatives Fund Balance - 2011 Biennium Executive Budget Request
Tobacco Tax Revenue Dedicated to Health Initiatives

Fund Balance Revenue/Expenditures	Actual FY 2008*	Budgeted FY 2009	itive Budget Request FY 2010*	FY 2011*	% of Ttl
Beginning Fund Balance	$47,397,697	$50,283,077	$43,020,758	$29,631,415	41.9%
Revenue - Tobacco Tax*	39,824,984	40,196,000	40,592,000	41,014,000	58.1%
Total Revenue	$87,222,681	$90,479,077	$83,612,758	$70,645,415	100%
Expenditures					
Medicaid Services - Provider Rate Increases and Service Expansions					
Nursing Home Services	$5,455,068	$5,484,432	$5,480,319	$5,480,319	10.0%
Managed Care Bureau	5,187,530	5,134,353	5,187,530	5,187,530	19.4%
DD Medicaid Benefits	2,667,826	3,135,587	3,135,587	3,135,587	25.1%
Children's Mental Health Services	2,176,518	2,301,184	2,176,518	2,176,518	29.1%
Hospital and Clinical Services	822,569	1,070,253	1,822,569	1,822,569	32.4%
Senior/Physically Disabled Waiver	1,447,528	1,837,193	1,837,193	1,837,193	35.8%
Home-based Services	1,088,712	1,107,207	1,107,207	1,107,207	37.8%
Adult Mental Health Waiver	0	1,613,488	1,471,493	1,492,314	40.5%
Mental Health Medicaid	886,192	680,475	886,192	886,192	42.1%
Medicaid Pharmacy	753,823	46,930	753,823	753,823	43.5%
Acute Services	262,205	2,177,787	262,205	262,205	44.0%
Chemical Dependency Medicaid	194,625	207,753	194,625	194,625	44.3%
Breast and Cervical Cancer	5,171	19,100	5,171	5,171	44.3%
Other Programs					
Insure Montana (Premium Assistance)	5,618,763	6,525,413	6,557,168	6,558,167	56.3%
Elected Official-State Auditor Proposal**	0	0	6,581,739	7,637,566	70.2%
Health Insurance Tax Credits	4,028,570	4,350,286	4,370,344	4,372,113	78.1%
Elected Official-State Auditor Proposal**	0	0	18,418	16,988	78.1%
Big Sky Rx					
Medicare Part D Premium Assistance	2,534,524	6,579,486	5,772,755	5,774,966	88.6%
Pharmassist Program	9,455	353,063	236,297	236,298	89.1%
Mental Health Services Plan/HIFA	2,768,810	3,152,605	3,433,968	3,433,968	95.3%
CHIP	907,760	1,582,085	2,565,437	2,432,433	99.7%
Mental Health NonMedicaid	25,100	0	25,100	25,100	99.8%
Human and Community Services Div.	58,936	59,213	58,900	58,896	99.9%
Children's Special Health Services	25,685	25,766	25,684	25,684	99.9%
HRD Cost Allocated Administration	14,234	14,661	15,101	15,554	100.0%
Subtotal Expenditures	36,939,604	47,458,320	53,981,343	54,928,986	
Annual Change		28.5%	25.8%	15.7%	
Ending Fund Balance	$50,283,077	$43,020,758	$29,631,415	$15,716,429	

*Revenue based on estimates adopted by the Revenue and Transportation Oversight Committee.
**Statute would need to be amended in order to implement the State Auditor's new proposals.

The majority of funds from the account support Medicaid provider rate increases and service expansions. About one quarter of the FY 2011 budget request funds health insurance assistance for small employers (Insure Montana administered by the State Auditor). Big Sky Rx and Pharmassist are about 10 percent of the FY 2011 budget request. The amount allocated to CHIP is about 5 percent. Several small administrative appropriations take up about 2 percent of the budget request.

The executive budget request (including the State Auditor elected official request) grows $17 million annually above the FY 2008 base budget amount. Most of the budget request continues appropriations at the FY 2008 expenditure level, with the exception of Insure Montana, Big Sky Rx, CHIP, and the Mental Health Services Plan (MHSP).

FY 2007 Deposit to Older Montanans' Trust Fund

The 2007 Legislature appropriated the remainder of the unspent health and Medicaid initiatives account appropriated for Big Sky Rx at the end of the 2007 biennium to the older Montanans trust fund. $7.3 million was transferred to the trust fund.

LFD ISSUE

Health and Medicaid Initiatives Account Summary

The LFD has identified several issues related to use of the health and Medicaid initiatives account in the executive budget. Each of the issues is discussed with specific division budget requests. The issues and division budget where they are discussed are:

- Projected cost increases are too high – Health Resources Division (HRD), Big Sky Rx
- Potential illegal use – Addictive and Mental Disorders, MHSP
- Potential shift from health and Medicaid initiatives account to general fund in the CHIP program
- New proposals funded from the account

Some of these issues identify areas where health and Medicaid initiative state special revenue could be used to offset general fund, while another notes the need to shift costs to another state funding source (most likely general fund) or amend statute to allow continued use of funds for activities that do not appear to be authorized by statute.

Health and Medicaid Initiatives Structural Balance

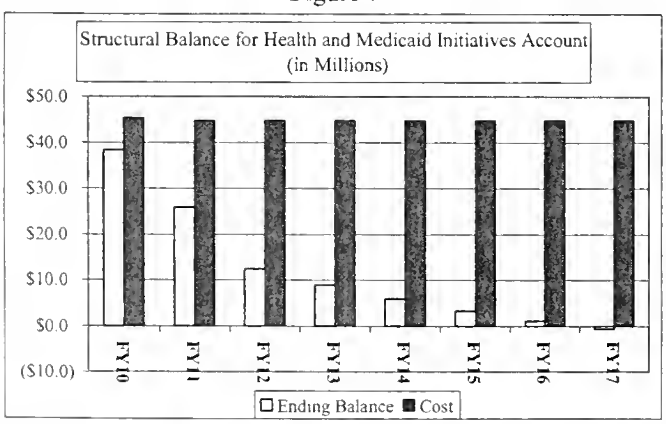
If the legislature approves the executive budget request, including the State Auditor elected official new proposals, the account would have a $2.1 million ending fund balance at the end of FY 2012 and be in an $11.5 million deficit by the end of FY 2013.

If the legislature wants to ensure an ending fund balance sufficient to carry programs through FY 2016, it would need to appropriate no more than $44.8 million per year in FY 2010 through FY 2017. Figure ___ shows projected revenues and expenditures from FY 2012 through FY 2017 assuming:

- The legislature continues total appropriations from the account at no more than the $44.8 million
- Tobacco tax revenues grow at an annual rate of 1.01 percent
- FY 2009 appropriations from the account are fully expended

If FY 2009 appropriations from health and Medicaid initiatives are not fully expended, the account could be solvent through FY 2017.

Figure 7



Depending on legislative appropriations, the account can remain solvent about four more years than anticipated by the 2007 Legislature, which believed the account would be in a deficit position by the end of FY 2012 – 2013. The account will be solvent longer because several programs did not fully expend appropriations, most notably:

- Big Sky Rx – FY 2008 appropriation of $5.5 million, expenditures of $2.5 million
- Insure Montana – FY 2008 appropriation of $6.5 million, expenditures of $5.6 million
- CHIP – FY 2008 appropriation of $1.6 million, expenditures of $0.9 million

Options:

Clearly, the health and Medicaid initiatives account is not structurally balanced over the long term – annual expenditures exceed projected revenues. The legislature can take several actions including limiting ongoing expenditures, increasing revenues, or waiting until next biennium to address the issue.

Use of Tobacco Settlement Proceeds

Tobacco Settlement Revenues

Montana receives revenue as a settling party to a Master Settlement Agreement (MSA) with several tobacco companies. The MSA places no restrictions on how states are to spend the money. The Montana voters approved:

- Constitutional Amendment 35 in November 2000 requiring not less than 40 percent of tobacco settlement money to go to a permanent tobacco trust fund
- Initiative 146 to allocate 32 percent of the total tobacco settlement funds to tobacco prevention/cessation programs and 17 percent to CHIP and Montana Comprehensive Health Association (MCHA)

Money not appropriated within two years is transferred to the general fund. The remaining 11 percent of the MSA money is deposited to the general fund. Figure 8 shows revenues, proposed expenditures, and fund balances for these two uses of tobacco settlement funds.

Figure 8
Tobacco Settlement Account - Fund Balance
Master Settlement Agreement Allocations to Tobacco Cessation and to CHIP/MCHA

Fund Balances, Revenues, Expenditures	FY 2008	FY 2009	FY 2010	FY 2011	% of Total
32% Allocation to Tobacco Cessation/Prevention					
Beginning Fund Balance	$2,914,644	$2,579,810	$2,563,220	$2,564,587	
Revenues	$11,076,568	$11,524,800	$11,674,560	$11,861,760	
Expenditures					
Department of Revenue	$247,737	$233,499	$312,665	$312,824	2.7%
Deparment of Justice	108,357	130,472	115,943	116,106	1.0%
Public Health and Safety Division					
Tobacco Control & Prevention	7,655,381	7,847,419	7,771,774	7,774,278	66.6%
Chronic Disease Programs	2,619,852	2,700,000	2,692,811	2,694,193	23.1%
Tribal Programs	630,000	630,000	630,000	630,000	5.4%
Division Administrative Costs	0	0	150,000	150,000	1.3%
Total Expenditures	$11,261,327	$11,541,390	$11,673,193	$11,677,401	96.3%
Percent Increase		2.49%	1.14%	0.04%	
Ending Fund Balance - 32% Allocation	$2,729,885	$2,563,220	$2,564,587	$2,748,946	
17% Allocation to CHIP/MT Comprehensive Health Assocation					
Beginning Fund Balance	$1,244,368	$498,045	-$184,274	$138,409	
Revenues	$5,884,427	$6,122,550	$6,202,110	$6,301,560	
Expenditures					
CHIP	$5,806,576	$5,879,255	$4,953,813	$5,004,921	84.4%
MCHA	824,173	925,614	925,614	925,614	15.6%
Total Expenditures	$6,630,749	$6,804,869	$5,879,427	$5,930,535	100.0%
Percentage of Annual Increase		2.63%	-13.60%	0.87%	
Ending Fund Balance - 17% Allocation	$498,045	-$184,274	$138,409	$509,434	

The executive proposes expending 86 percent of the total revenues designated for the tobacco treatment and cessation programs over the biennium and 96 percent of the revenues designated for CHIP/MCHA. By statute any funds designated for the tobacco treatment and cessation funds or CHIP/MCHA that are not appropriated to these activities are deposited into the tobacco trust.

According to the statute, 32 percent of the total tobacco settlement money may only be used for tobacco prevention and cessation programs designed to prevent children from starting tobacco use and to help adults who want to quit tobacco use.

LFD COMMENT The executive budget does not fully expend the tobacco settlement funds allocated to tobacco cessation in the 2011 biennium. LFD estimates that $2.7 million is available for legislative appropriation for tobacco cessation and prevention activities. The LFD has identified a potential use of the funds which can reduce general fund appropriations for the Public Health and Safety Division (PHSD) by up to $1.1 million and could also reduce appropriations from tobacco trust fund interest, which is over appropriated in the executive budget. See the narrative section on PHSD for further information.

Tobacco Trust Fund Interest

The Montana Constitution stipulates interest earnings from the tobacco trust fund are to be distributed:

- o 90 percent for appropriation by the legislature for disease prevention programs and state programs providing benefits, services, or coverage related to the health care needs of the people of Montana
- o 10 percent to the tobacco trust

Figure 9 shows the revenues, proposed expenditures, and fund balance for the tobacco trust fund interest over the 2009 biennium. Expenditures from the account exceed revenues each year of the 2011 biennium, leaving a deficit in each year of the 2011 biennium.

Figure 9
Tobacco Settlement Trust Fund Interest - Fund Balance

Fund Balances, Revenues, Expenditures	FY 2008	FY 2009	FY 2010	FY 2011	% of FY2011
Beginning Fund Balance	$2	$123,924	$25,812	($7,994)	
Revenues*	$4,091,095	$4,769,100	$5,508,900	$6,288,300	
Expenditures					
Public Health and Safety Division					
HPV Vaccine	$0	$400,000	$400,000	$400,000	6.2%
Public Home Health Visits/MIAMI	178,652	200,000	178,642	178,641	2.7%
Children's Special Health Servcies	128,020	290,000	128,015	128,014	2.0%
Maternal and Children's Health Data	0	0	75,000	75,000	1.2%
Women's and Men's Health	0	0	30,000	30,000	0.5%
Emergency Medical Services	0	0	125,000	125,000	1.9%
HIV Treatment	0	0	84,000	84,000	1.3%
Public Health and Safety Div. Subtotal	306,672	890,000	1,020,657	1,020,655	15.7%
Health Resources Division					
Hospital & Clinical Services Bureau	484,406	484,406	543,647	543,647	8.4%
Acute Services Bureau	1,580,175	1,599,378	1,580,175	1,580,175	24.3%
Dental Access	495,759	555,000	495,759	495,759	7.6%
Children's Mental Health Services	233,552	233,552	233,552	233,552	3.6%
Health Resources Division Subtotal	2,793,892	2,872,336	2,853,133	2,853,133	43.9%
Senior and Long-term Care Division					
Nursing Homes	831,850	832,217	831,850	831,850	12.8%
Resource Facilitiation Services	0	100,000	0	0	0.0%
Healthcare for Healthcare Workers	0	0	750,000	1,691,361	26.0%
Senior and Long Term Care Div. Subtotal	831,850	932,217	1,581,850	2,523,211	38.8%
Addictive and Mental Disorders					
Mental Health Medicaid Benefits	27,659	27,659	27,659	27,659	0.4%
Mental Health Other Services		145,000	3,764	18,962	0.3%
Mental Health Administration	7,098	0	55,643	55,652	0.9%
Addictive and Mental Disorders Subtotal	34,757	172,659	87,066	102,273	1.6%
Total Expenditures	$3,967,171	$4,867,212	$5,542,706	$6,499,272	100.0%
Ending Fund Balance	$123,926	$25,812	($7,994)	($218,966)	

*90% of the trust interest may be appropriated and 10% is deposited to the trust corpus

The executive budget allocates all trust fund interest to programs within DPPHS. Most programs are funded at the FY 2008 expenditure level or the amount appropriated by the legislature for FY 2009 for human papillomavirus virus (HPV) vaccination.

The executive budget allocates interest funds to new uses including:

- o Emergency medical services
- o HIV treatment
- o Medicaid match for healthcare for healthcare workers.

The executive proposes using the remaining interest to support Medicaid benefits, home health visiting services, children's special health services, mental health benefits, and nursing home services.

LFD ISSUE

Tobacco Settlement Interest Funds Over Appropriated in the 2011 Biennium

As shown in Figure 9, the executive budget request includes more tobacco settlement trust interest than there is estimated to be available by $218,966 over the 2011 biennium. The LFD has identified a way to mitigate the shortfall in trust fund interest. Excess tobacco settlement cessation and prevention funds could be shifted to home health visiting services in the PHSD. The services are currently funded by trust interest. This funding shift would free up $357,283 of tobacco settlement trust fund interest.

Options:

- o Fund public home health visits/MIAMI using tobacco settlement tobacco cessation and prevention funds and reduce the appropriation of tobacco settlement trust fund interest by $178,642 in FY 2010 and $178,641 in FY 2011
- o Reduce program costs supported by tobacco settlement trust fund interest by a total of $218,966 over the biennium to ensure the account is structurally balanced at the end of FY 2011

LFD ISSUE

Shift from State Special Revenue to General Fund for CHIP

The executive budget reduces state special revenue allocated to the CHIP program and increases general fund by $2.6 million over the biennium. State matching funds for CHIP have been funded from two state special revenue accounts over the last several years - health and Medicaid initiatives and tobacco settlement funds. Two citizen initiatives required that one of the uses for these two funding sources is to maximize enrollment in CHIP.

In other areas of the executive budget request new proposals have been funded with health and Medicaid initiative state special revenue that could have been allocated to present law CHIP services. The total amount of health and Medicaid initiative state special revenue available for appropriation will depend on legislative decisions throughout the DPHHS budget. LFD staff will track legislative action so that it can determine whether there is sufficient state special revenue to offset CHIP general fund.

Option:

The legislature can review appropriations from health and Medicaid initiatives and tobacco settlement revenues to determine whether it wants to offset general fund, reduce spending levels in the account, or approve the executive budget request. There is an additional $509,434 that could be used to offset general fund allocated to CHIP prior to any legislative action.

Statutory Appropriations

The following table shows the total statutory appropriations associated with this agency. Because statutory appropriations do not require reauthorization each biennium, they do not appear in HB 2 and are not routinely examined by the legislature. The table is provided so that the legislature can get a more complete picture of agency operations and associated policy.

As appropriate, LFD staff has segregated the statutory appropriations into two general categories: 1) those where the agency primarily acts in an administrative capacity and the appropriations consequently do not relate directly to agency operations; and 2) those that have a more direct bearing on the mission and operations of the agency.

Statutory Appropriations
Department of Health and Human Services

Purpose	MCA #	Fund Source	Fiscal 2008	Fiscal 2010	Fiscal 2011
Grants to State Approved Addition Programs					
Alcohol taxes allocated to DPHHS					
20% of proceeds to grants to state approved community addiction programs	53-24-108	SSR	$1,384,888	$1,534,225	$1,625,000
6.6% of proceeds to state approved community addiction programs that serve persons with alcoholism and a mental illness	53-24-108	SSR	374,157	506,088	443,329
Assisting Adoption Services					
Child and Family Services Division	42-2-105	SSR	93,061	93,426	93,490
Debt Service					
Debt service for bonds for state hospital	17-7-502	SSR	1,796,631	3,559,516	3,559,274
Debt service for bonds for Montana Developmental Center	17-3-502	SSR	982,030	982,030	982,030

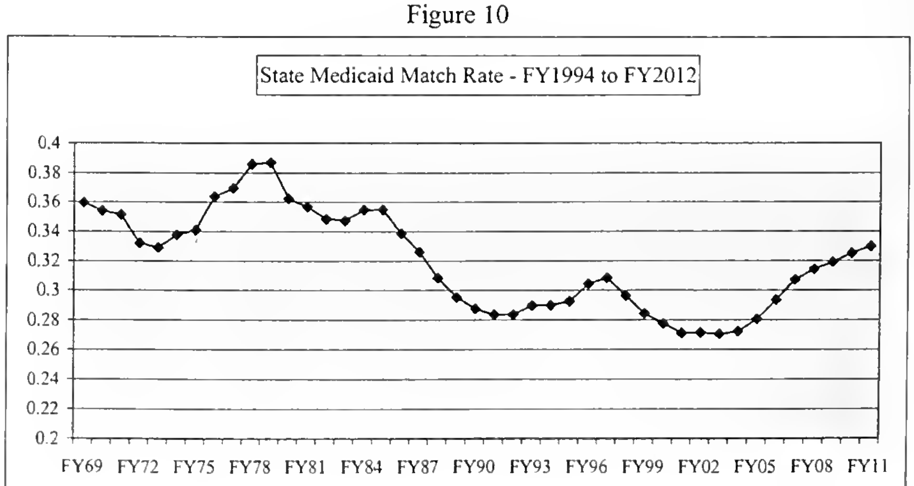
Medicaid – The Match Rate

The appropriation for all Medicaid services is about 20 percent of HB 2, similar to other states. It is a significant state expenditure and a significant benefit for many persons and medical providers. In general, the Montana Medicaid program has low financial eligibility criteria and funds a broad array of services.

The Medicaid program is funded by state and federal funds. The federal share of Medicaid service costs is based on a three year average of a state's per capita income compared to the changes in national per capita income, often referred to as FMAP – Federal Medical Assistance Percentage. The FMAP also determines the state match rate for federal Title IV-E that funds foster care services for eligible children, the matching funding stream that supports child care, and the state match rate for CHIP.

The FMAP has increased since the last legislative session. The state match rate was 31.41 percent in FY 2008 and is estimated to increase to 32.97 percent in FY 2011. Managing the Medicaid services program can be challenging particularly during economic downturns. A 1 percent increase in Medicaid expenditures costs $8 million general fund over the 2011 biennium. Figure 10 shows the state Medicaid match rate since FY 1994.

Figure 10



This summary gives legislators an overview of the Montana Medicaid program. In general, once a state opts into the Medicaid program it:

- o Must fund certain services (mandatory services such as hospital, skilled nursing, and physician services)
- o Can opt to provide other medical services (optional services such as prescription drugs, mental health services, most non-hospital based therapies such as physical, occupational and speech therapy)
- o Must offer services statewide, allowing freedom of choice among providers
- o Must establish eligibility for certain mandatory groups at specified federally established minimum levels and in some cases cannot exceed the federal maximum levels (such as low income families and children, disabled adults and children, and persons over 65)
- o May opt to add additional eligibility groups
- o Must establish provider rates at levels sufficient to ensure provider participation in the program (courts have held that low provider rates can limit provider participation thereby limiting access to services and freedom of choice among providers)

States can also ask for a waiver of federal regulations, meaning that one or more of the federal Medicaid requirements can be suspended. Such Medicaid services are often referred to as a "waiver".

DPHHS divisions oversee the following Medicaid waivers, which allow DPHHS to bypass certain federal mandates:

- o Human and Community Services Division – waiver to limit Medicaid services to a basic set of services for able bodied adults with dependent children
- o Disability Services Division – home and community services waiver for individuals with a developmental disability to provide non traditional services ranging from very intensive habilitation services to supported community employment for adults, and family education and support services for children
- o Health Resources Division – a demonstration waiver to provide community services for children at risk of placement in a residential treatment facility
- o Senior and Long Term Care Division – home and community services waiver for physically disabled and elderly persons to provide assistance to live in community, rather than hospitals or skilled nursing facilities
- o Addictive and Mental Disorders - home and community services waiver for adults with a serious and disabling mental illness to provide assistance to live in the community, rather than hospitals or skilled nursing facilities

Figure 11

2008 Poverty Levels by Family Size

Size of Family Unit	<------------Percent of Federal Poverty Level-----------> 40%	100%	133%	150%	175%	200%
1	$4,160	$10,400	$13,832	$15,600	$18,200	$20,800
2	5,600	14,000	18,620	21,000	24,500	28,000
3	7,040	17,600	23,408	26,400	30,800	35,200
4	8,480	21,200	28,196	31,800	37,100	42,400
5	9,920	24,800	32,984	37,200	43,400	49,600
6	11,360	28,400	37,772	42,600	49,700	56,800
7	12,800	32,000	42,560	48,000	56,000	64,000
8	14,240	35,600	47,348	53,400	62,300	71,200
Each Additional Person	$1,440	$3,600	$4,788	$5,400	$6,300	$7,200

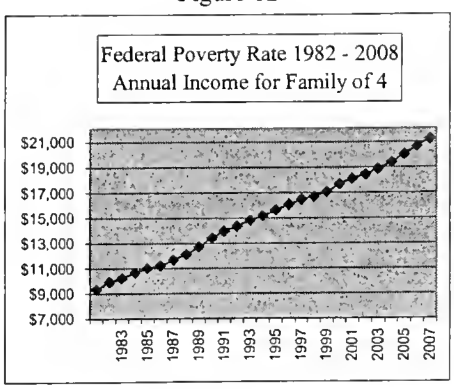
*The federal poverty level index is updated in late February/early March each year.

Financial Eligibility

Most programs administered by DPHHS have financial eligibility tied to the federal poverty level. Figure 11 shows the calendar year 2008 federal poverty level by family size at various levels of poverty. For instance, the federal poverty level for a family of four would be $21,200 annually. Similarly, 175 percent (CHIP eligibility level) for a family of four would be $37,100 annually. The federal poverty guidelines are updated annually and usually published in late February or early March.

Figure 12 shows the change in the federal poverty level for a family of four from 1982 to 2008. Historically, the poverty thresholds have increased about 3 percent annually since 2000. Since 1982, the federal poverty level increased slightly more – 0.6 percent - than the consumer price index. In general legislators should expect increases in the federal poverty level commensurate with the changes in the consumer price index.

Figure 12



Legislative Interim Committee Work Related to DPHHS Programs

This section summarizes the work of two interim committees that considered issues and made recommendations to the 2009 legislature. This information is included so that legislators can consider legislative initiatives related to

DPHHS and the executive budget. Only recommendations with a fiscal impact are listed.

Interim Committee on Law and Justice

HJR 50 called for a study of the process and cost of psychiatric pre-commitment examination, detention, and treatment at the Montana State Hospital. The Law and Justice Interim Committee was assigned the study and the committee recommends to the 61st Legislature for the 2009 session enactment of the following bills:

LC0307 - Establishing a grant program to reimburse up to 50 percent of a county's costs for jail diversion, crisis intervention services, and precommitment cost insurance premiums (if such insurance is set up by the counties) for mentally ill individuals picked up by law enforcement. Preliminary cost estimate and "placeholder" appropriation amount: $615,937 general fund each year of the biennium.

LC0329 - Establishing a pilot program for jail suicide prevention screening under a contract administered by the Department of Public Health and Human Services (DPHHS). Preliminary cost estimate and "placeholder" general fund appropriation amount: $214,000 for FY2010 and $89,000 for FY2011.

LC0516 - Requiring DPHHS to contract for up to three emergency detention beds in each mental health service area for persons who are a danger to themselves or others because of a mental disorder and who may need commitment. Preliminary cost estimate and "placeholder" general fund appropriation amount: $410,625 in each year of the biennium.

LC0517 - Allowing a petition for involuntary commitment to be suspended if a respondent agrees to be diverted to short-term inpatient treatment for up to 14 days and requiring DPHHS to contract for up to three short-term inpatient treatment beds in each mental health service area. Preliminary cost estimate and "placeholder" appropriation amount: $1.7 million general fund each year of the biennium.

Children, Families, Health, and Human Services Interim Committee

The Children, Families, Health, and Human Services Interim Committee conducted three studies that were approved by the 2007 Legislature and assigned to the committee:

- Senate Joint Resolution 5, a study of Montana's emergency medical services (EMS) system
- Senate Joint Resolution 15, a study of Montana's health care delivery system
- A mental health study funded through House Bill 2, the general appropriations bill

The committee recommends to the 61st Legislature for the 2009 session enactment of the following bills:

LC0337 - Creates a grant program to pay for new vehicles and equipment for volunteer EMS agencies.

LC0332 – Establishes a resolution to encourage continued monitoring by the 2009-10 Children and Families Interim Committee of independent efforts to establish web sites that provide information on health care costs.

LC 339 - Appropriates up to $1.5 million general fund to support efforts to put a system for electronic health records into place.

LC 340 – Establishes a resolution to support funding that may be included in the governor's budget for the electronic health records project (to be introduced in lieu of LC 339 if the governor's budget contains the funding).

Mental Health Study

The 2007 Legislature included $200,000 in House Bill 2 during the May 2007 special session for "an interim study of mental health." The study was assigned to the Children and Families Committee, which approved hiring a consulting firm to conduct the study. The committee modeled a Request for Proposals largely on the elements of SJR 27, which called for an analysis of the publicly funded mental health system to determine whether gaps in services exist, whether other financing sources existed, and whether the system could be better coordinated.

DMA Health Strategies of Massachusetts was the successful bidder for the contract. The committee heard the final report from DMA on Oct. 14, 2008, and took several actions, including requesting the following legislation:

LC 592 - Provides for an interim study of a managed care mental health system.

LC 593 - Appropriates $2.4 million general fund to sustain existing kids management authorities (KMAs) at the community level and create 10 additional KMAs.

LC 595 - Appropriates $250,000 general fund to provide flexible funding to meet the needs of children up to the age of 6 and of high-risk children with multi-agency needs.

The committee also agreed to ask for changes to two bill drafts proposed by the Law and Justice Interim Committee as part of its interim studies of mental health needs in the justice system. The Children and Families Committee suggested amendments to LC0307, which creates a grant program for county crisis and jail diversion beds. The proposed changes would allow expenditures to include Crisis Intervention Team training for law enforcement officers; provide grants to collaborative efforts, not just counties; and match county precommitment costs if the county participates financially in a collaborative effort.

The committee also suggested revising LC 329, which creates a pilot program to screen jail inmates for suicide risk, to require screening inmates for any mental disorder.

It also asked the Department of Public Health and Human Services and the Department of Corrections continue to report to the Legislature on how they are following up on report recommendations.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	348,225,059	348,225,059	696,450,118	83.18%	1,357,322,268	1,357,322,268	2,714,644,536	82.94%
Statewide PL Adjustments	9,160,377	9,372,054	18,532,431	2.21%	13,452,235	13,648,449	27,100,684	0.83%
Other PL Adjustments	41,626,391	55,129,724	96,756,115	11.56%	207,440,727	261,425,964	468,866,691	14.32%
New Proposals	11,368,559	14,137,207	25,505,766	3.05%	26,848,993	35,731,203	62,580,196	1.91%
Total Budget	**$410,380,386**	**$426,864,044**	**$837,244,430**		**$1,605,064,223**	**$1,668,127,884**	**$3,273,192,107**	

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	453.81	453.81	461.31	466.31	453.81	466.31	12.50	2.75%
Personal Services	20,996,536	22,962,650	22,698,639	23,001,649	43,959,186	45,700,288	1,741,102	3.96%
Operating Expenses	6,546,411	5,948,093	7,087,210	7,175,139	12,494,504	14,262,349	1,767,845	14.15%
Equipment & Intangible Assets	90,587	44,506	90,587	90,587	135,093	181,174	46,081	34.11%
Capital Outlay	0	175,067	0	0	175,067	0	(175,067)	(100.00%)
Grants	18,982,880	19,992,513	21,469,880	21,475,880	38,975,393	42,945,760	3,970,367	10.19%
Benefits & Claims	161,658,613	186,264,135	185,509,002	194,852,500	347,922,748	380,361,502	32,438,754	9.32%
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	**$208,275,027**	**$235,386,964**	**$236,855,318**	**$246,595,755**	**$443,661,991**	**$483,451,073**	**$39,789,082**	**8.97%**
General Fund	30,521,552	31,497,583	32,741,090	34,220,208	62,019,135	66,961,298	4,942,163	7.97%
State Special	1,211,152	1,401,037	1,279,037	1,280,831	2,612,189	2,559,868	(52,321)	(2.00%)
Federal Special	176,542,323	202,488,344	202,835,191	211,094,716	379,030,667	413,929,907	34,899,240	9.21%
Total Funds	**$208,275,027**	**$235,386,964**	**$236,855,318**	**$246,595,755**	**$443,661,991**	**$483,451,073**	**$39,789,082**	**8.97%**

Program Description

Mission statement: The mission of the Human and Community Services Division (HCSD) of the Montana Department of Public Health and Human Services is to support the strengths of families and communities by promoting employment and providing the assistance necessary to help families and individuals meet basic needs and work their way out of poverty.

The Human and Community Services Division is comprised of four bureaus: 1) Public Assistance; 2) Early Childhood Services; 3) Intergovernmental Human Services; and 4) Fiscal Services.

The Public Assistance Bureau:

- Administers Montana's Temporary Assistance to Needy Families (TANF) program, including the WoRC contracts for TANF work activity case management
- Administers the state Refugee Assistance program
- Determines eligibility for all Medicaid coverage groups
- Determines eligibility for Supplemental Nutrition Assistance Program (SNAP - formerly known as the Food Stamp Program), and administers contracts for SNAP employment and training services and nutrition education services

The Early Childhood Services Bureau:

- Manages the funds which pay for child care for TANF participants and low-income working families
- Contracts with 12 resource and referral agencies to administer child care eligibility, provider recruitment, and technical assistance
- Administers the Child and Adult Care Food Program, which provides reimbursement to child care providers for the cost of meals served to eligible children and adults
- Administers the Head Start State Collaboration grant
- Administers the Early Childhood Comprehensive Systems Grant
- Manages the funds which pay for quality child care initiatives including professional development.

The Intergovernmental Human Services Bureau administers:

- The Community Services block grant, which is used by 10 Human Resource Development Councils to provide a wide range of community-based human services
- The Low-Income Energy Assistance Program (LIEAP) and Weatherization program
- The DOE Weatherization program including funding for weatherization from five other sources

- The Emergency Shelter grants program
- The Housing Opportunities for Persons with AIDS grant
- Three USDA commodities programs. In addition, the bureau stores and distributes USDA commodity foods to elderly feeding locations and stores USDA commodity foods for school lunch programs

The Fiscal Services Bureau coordinates implementation and monitoring of the division's budget.

Statutory authority is in Title 53, Chapter 2, MCA, and 45 CFR.

Program Highlights

Human and Community Services Division
Major Budget Highlights

- Total funding for the division increases about 9 percent when the 2009 and 20011 biennia are compared, with an increase in general fund support of about 8 percent and federal funds of about 9 percent
- General fund increases over the biennium are primarily due to:
    - Statewide and present law adjustments
    - $3 million for child care to support a historical caseload growth of 1.9 percent, maintain the child care at 150 percent of the federal poverty level, and maintain provider market rates at the federally required 75th percentile
    - Over $0.6 million for two one-time-only requests to assist food banks and other food assistance entities and for low-income energy assistance
- Federal revenue increases over the biennium are due to:
    - $45 million for Supplemental Nutrition Assistance Program (SNAP –formerly called food stamps) benefits
    - SNAP benefits are expected to be $119 million by SFY 2011
    - Over $9 million for increases in the TANF block grant comprising: $4 million to increase TANF cash assistance from 33 percent of the 2007 federal poverty level to the 2009, $4 million for a family economic security grant program, $1 million for child care for working caretaker relatives, and $0.6 million for second chance homes
    - $1 million for increases to the child and adult care food program
- The executive requests nearly $1 million total funds over the biennium for 10.00 FTE for field eligibility staff
- The division met its 2009 biennium goals

LFD Major Issues

- The executive budget places the TANF block grant in a deficit position
- The division goals should contain measurable objectives

Program Narrative

Goals and Objectives:

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the Legislative Fiscal Division recommends that the legislature review the following:

- Goals, objectives and year-to-date outcomes from the 2009 biennium

- o Goals and objectives and their correlation to the 2011 biennium budget request

Any issues related to goals and objectives raised by LFD staff are located in the program section.

2009 Biennium Major Goals:
The following provides an update for the major goals monitored during the 2009 interim.
Successes:
The division successfully met its goal to provide services and support to stabilize families and meet their basic needs, while encouraging employment for eventual self-sufficiency in FY 2008 by:

- o Providing cash assistance at 33 percent of the 2007 poverty level to a caseload of 2,961
- o Providing work activities to an estimated 1,595 clients
- o Tracking and achieving TANF work participation rates compared to the federal standard of 50 percent for the All Families category and 90 percent for the 2-Parents category
- o Providing working relative caretaker support to an estimated 56 eligible families
- o Providing affordable, accessible, quality childcare for low-income families by adequately reimbursing childcare providers and serving families without a waiting list to an estimated 5,570 unduplicated families and 95 teen parents
- o Providing energy and/or weatherization assistance to 18,930 eligible households and weatherizing 1,458 homes
- o Assisting Indian Health Services (IHS) and Tribes access Medicaid and 100 percent Medicaid match (FMAP) for services by: achieving 100 percent federal funds reimbursement for personal care attendant services; gaining Center for Medicaid Services (CMS) approval for Chippewa-Cree to determine tribal members Medicaid eligibility for certain services; gaining CMS approval for tribes to receive Medicaid administrative match; passing through 100 percent of the FMAP match to IHS (this goal was added in May 2008 when the position of Tribal Medicaid Coordinator was transferred to HCSD from the director's office. There is further information in the discussion of changes during the biennium in the budget section of the program narrative.

2011 Biennium Major Goals
The LFD recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim.

The goals submitted by HCSD with its budget are:

- o Increase the economic security and self-sufficiency of Montana families
- o Ensure the health and safety of Montanans by providing essential services and linkages to community resources

The measurements by program are:
TANF

- o Provide basic cash grants
- o Engage all families in allowable work activities
- o Meet federal work participation requirements

SNAP (Food Stamps)

- o Meet all federal accuracy and timeliness requirements
- o Expand the use of SNAP

Medicaid Eligibility

- o Meet all federal accuracy and timeliness requirements
- o Coordinate with all public health care programs

LIEAP

- o Provide cost-effective energy conservation measures to low-income families
- o Provide eligible households assistance with heating bills

Childcare

- o Provide affordable, accessible, quality childcare for low-income families by adequately reimbursing childcare providers and servicing families without a waiting list

LFD ISSUE

The Goals Do Not Contain Baseline Information

In order to for the legislature to discuss the division's budget in the light of efficient and effective government and formulate an appropriations policy for the division, goals should have a baseline against which the legislature can measure the division's achievements. The goals submitted do not help the legislature understand the need for or impact of the resources HCSD has requested because there are no baseline comparisons, no time frames, and no outcomes or milestones to indicate when work would begin, progress reports would be provided, or the intended outcomes achieved.

Additionally, many of the support services or programs are provided by county offices of public assistance or by contracted providers. The goals and measurements as provided do not reference the leaders and partners undertaking the task and therefore do not provide the legislature an opportunity to understand: 1) if there are partners involved in delivering any of the services; or 2) if funds and/or programs are adequately or equally run on the county, regional, or local fronts.

This baseline data should be available because the funding attached to the goals comes with federal regulations for evaluation and compliance based upon positive outcome performance measures. As a result HCSD should have baseline information for the 2011 goals as they did for the 2009 goals. Additionally, the division should easily be able to provide the number of counties or contracted providers that are participating in the delivery of services, and the achievements made at a regional or county level.

Goals Should Address Quality and Quantity of Services

The goals, objectives, and measurements should also provide the legislature an understanding of the policy behind the basics of the numbers served and at what costs. The legislature should be able to understand the quality of services provided by the division and its contracted providers that were funded by past legislative appropriations and could be funded by the 2011 biennium requests.

The division goals do not help the legislature link the amount of requested resources to the number of individuals served or the quality of the services that would be provided. In addition to reflecting the use of state resources on the number of people served, goals could be used to help the legislature understand:

- The accountability of the division to the state for the quality of help and guidance applicants receive as they enter and navigate the system as well as the quality of support and education participants in work, training, or other self-sufficiency programs receive - whether the service is provided by state staff or contracted providers

Option

The legislature may wish to discuss with the division how its goals and objectives might be improved, measure both quality and quantity of services, and when appropriate, allow the legislature to understand the achievements made from expending resources at a county, regional, or local level.

There are additional references to goals and measurements in the program and subprogram narratives.

Budget Request – A Biennial Comparison

The increases to the Governor's 2011 biennial budget compared to the 2009 biennial budget primarily reflect grants and benefits and/or supporting programs. The most significant change in the HCSD budget request is the grants and benefits and claims categories - a growth of $36 million, primarily due to increases in SNAP (food stamp) benefits. The biennial change of $36 million in grants and benefits is less than the difference between base budget expenditures ($181 million) and the 2011 biennium budget request because the FY 2009 appropriations included benefit and grant increases of over $25 million above the FY 2008 level. The 2011 biennium adjustments bring the base budget up to the FY 2009 level and provide additional funds to continue the level of services authorized by the last legislature.

Major increases include:

- $3 million for statewide present law adjustments
- $61 million for caseload or benefit increases due to:
    - $45 million for federal SNAP (food stamp) benefits
    - $4 million for the federal TANF cash benefit increase
    - $4 million of federal TANF funds for a family economic security grant program
    - $3 million general fund for child care to address the historical caseload growth of 1.9 percent, maintain the child care at 150 percent of the federal poverty level, and maintain provider market rates at the federally required 75th percentile
    - $2 million for anticipated federal grant increases in energy assistance, weatherization, emergency shelter, housing assistance for persons with AIDS, and commodity food distribution
    - $1 million in federal authority for the Child and Adult Care Food Program (CACFP) to support meal service delivery
    - $1 million of federal TANF funds for child care for working caretaker relatives
    - $1 million of federal TANF funds for TANF second-chance homes and general fund to help Montana food banks and provide low-income energy or weatherization assistance

Highlights of Additions to the Base Budget during the Interim
The following two items address programs and funding that were transferred to HCSD during FY 2008. The funding increased the division's FY 2008 base budget beyond the amount appropriated by the 2007 Legislature.

Position Transfer
In May 2008 $77,000 and the FTE for a position of Tribal Medicaid Coordinator were transferred to HCSD from the Director's Office. Like other Medicaid policy specialists in the department, the position is funded 50 percent Medicaid administration money and 50 percent general fund. The goal attached to this position is described above in the 2009 goals and objectives sections.

The position is an outgrowth of the 2007 Legislature's work with DPHHS to establish a mechanism to assist Indian Health Services (IHS) and Tribes access Medicaid because Medicaid services to tribal members are reimbursed at 100 percent Medicaid match (FMAP). Montana's FMAP rate for FY 2008 was about 69 percent federal and 31 percent state. Work with the IHS would allow the 31 percent general fund used for Native American individuals in the state Medicaid waiver to be replaced with federal Medicaid funds. A measureable goal attached to this work was to achieve 100 percent federal funds reimbursement for personal care attendant services. As mentioned earlier, the goal was met. At the close of FY 2008, a total of $1,229,000 of 100 percent pass through federal funds has been paid to IHS. As a result of these efforts the Senior and Long Term Care Division realized an estimated addition of about $386,000 in general fund per year over the biennium to address personal care services.

Consolidation of child care billing into one division
$1.2 million general fund for the 2009 biennium was transferred from the Child and Family Services Division (CFSD) to the Early Childhood Services Bureau to establish the child care payment to providers into one division.

I-155: Healthy Montana Kids Plan
As mentioned in the agency overview, the passage of the voter Initiative I-155 to expand Montana's Medicaid and Chip programs for children's health insurance impacts several programs throughout DPHHS. The Governor's request to implement the program is entirely in the Health Resources Division, but HCSD would handle the Medicaid eligibility component. The division estimates $6 million total funds over the biennium to handle Medicaid eligibility expansion and operating costs, such as new office space and rent, computers, software, telephones and, other items associated with new FTE would be required.

This initiative is discussed in greater detail in the agency overview and there is further discussion related to FTE in the personal services section of the program narrative.

LFD ISSUE

Structuring Appropriation to Allow Accurate Budget Comparisons

The initiative includes funding for three divisions within DPHHS:

- Health Resources Division - 6.00 FTE and $32.7 million Montana healthy kids state special revenue funds and federal matching funds
- Human and Community Services Division - 54.00 FTE and $3.0 million from the Montana healthy kids state special revenue account and $3.0 million in federal Medicaid matching funds
- Technology Services Division - $0.2 million Montana healthy kids state special revenue funds and $0.3 million federal funds

However, as stated earlier, the Governor would put all appropriations in one division. If the legislature approves funding for the proposal, it may wish to allocate funds and FTE to the appropriate division, as allocating funds among divisions would facilitate more accurate comparisons of appropriations and expenditures.

Functions of the HCSD and the Benefits Provided

The division provides services through three bureaus: 1) Public Assistance; 2) Energy and Commodity Assistance; and 3) Early Childhood Services. The following two tables illustrate how the division receives its total funding and how the programs and services are delivered by the three bureaus. The tables, in order of appearance, are: 1) a summary of the base expenditures by bureau for the base year and requested amounts for the 2011 biennium; and 2) a summary of the benefits provided by the three bureaus for the base year and requested amounts for the 2011 biennium.

Expenditures by Bureau Function

Figure 13 provides a summary of the division by major function. Public assistance related programs account for 72.6 percent of the total division funding primarily due to eligibility determination provided throughout the state, TANF programs, and the SNAP (food stamp) program. Child care related services including child care subsidy programs and the Child and Adult Care Food Program (CACFP) account for about 16.5 percent of the division's funding, while energy and commodity assistance programs account for the remaining 10.7 percent. Each of these functions will be discussed in greater detail in the subprogram portion of this narrative.

The county offices of public assistance, TANF employment, training, and work support activities, and child care programs use the largest amount of general fund at about $20 million each over the biennium.

Expenditures by Benefits

The benefits provided by the three bureaus are shown in Figure 14. The federally funded SNAP benefits account for 61.4 percent of the division's benefit and claims activity with TANF cash assistance and various child care support activities at 11.2 and 16.7 percent, respectively. Energy, commodity, and weatherization programs account for about 10.7 percent of benefits and claims.

The child care programs and TANF employment and training programs use the largest amount of general fund in the grants and benefits and claims categories over the biennium, about $19 million and $16 million respectively.

Grants are expended over the biennium primarily for TANF and SNAP employment and training (58.8 percent), energy, and weatherization projects (11.1 percent), and child care activities (30 percent).

Figure 13

Figure

Human and Community Services Division

Summary of Major Program Functions with Funding

Function	Fiscal 2008 - Base Budget General Fund	State Special	Federal	Total Funds	Fiscal 2010 - Requested General Fund	State Special	Federal	Total Funds	Fiscal 2011 - Requested General Fund	State Special	Federal	Total Funds	Percent of Total
HCSD Division Administration	$ 230,729	$ 507	$ 311,605	$ 542,841	$ 255,603	$ 568	$ 347,315	$ 603,486	$ 256,507	$ 570	$ 348,679	$ 605,756	0.2%
Public Assistance:													
Administration													
Public Assistance Bureau	670,143	1,735	918,807	1,590,685	813,292	1,891	1,037,798	1,852,981	816,128	1,895	1,040,083	1,858,106	0.8%
County Offices of Public Assistance	9,753,135	168,262	9,568,552	19,489,949	10,482,225	175,917	10,340,178	20,998,320	10,670,499	177,707	10,517,846	21,366,052	8.7%
Programs and Benefits													
TANF Cash Assistance	769,957	35,000	15,456,439	16,261,396	769,957	35,000	17,256,674	18,061,631	769,957	35,000	17,798,523	18,603,480	7.5%
TANF Employment, Training, Work	9,776,490	0	2,226,958	12,003,448	9,775,459	0	4,523,503	14,298,962	9,777,689	0	4,523,478	14,301,167	5.8%
TANF Supportive Services	750,002	0	0	750,002	750,002	0	466,704	1,216,706	750,002	0	485,072	1,235,074	0.5%
Refugee Programs	0	0	141,036	141,036	0	0	141,036	141,036	0	0	141,036	141,036	0.1%
SNAP (Food Stamp) Training & Support Ser	546,957	0	1,341,851	1,888,808	596,138	0	1,346,242	1,942,380	599,107	0	1,349,207	1,948,314	0.8%
SNAP Benefits	0	0	93,242,739	93,242,739	0	0	112,343,868	112,343,868	0	0	119,601,240	119,601,240	48.5%
Subtotal Public Assistance	$22,266,684	$204,997	$122,896,382	$145,368,063	$23,187,073	$212,808	$147,456,003	$170,855,884	$23,383,382	$214,602	$155,456,485	$179,054,469	72.6%
Percent of Total	15.3%	0.1%	84.5%	100.0%	13.6%	0.1%	86.3%	100.0%	13.1%	0.1%	86.8%	100.0%	
Energy and Commodity Assistance:													
Administration - Energy and Commodities	$113,971	($30)	$2,146,753	$2,260,694	$238,936	$0	$2,530,801	$2,769,737	$238,933	$0	$2,535,146	$2,774,079	1.1%
Emergency Housing Programs	0	0	1,376,063	1,376,063	0	0	1,376,063	1,376,063	0	0	1,376,063	1,376,063	0.6%
Benefits - Energy and Commodities	0	173,094	20,984,749	21,157,843	200,000	233,077	21,683,276	22,116,353	200,000	233,075	21,684,738	22,117,813	9.0%
Subtotal Energy and Commodity	$113,971	$173,064	$24,507,565	$24,794,600	$438,936	$233,077	$25,590,140	$26,262,153	$438,933	$233,075	$25,595,947	$26,267,955	10.7%
Percent of Total	0.5%	0.7%	98.8%	100.0%	1.7%	0.9%	97.4%	100.0%	1.7%	0.9%	97.4%	100.0%	
Early Childhood Services:													
Administration - Child Care	$7,254	$0	$541,684	$548,938	$7,244	$0	$609,759	$617,003	$7,243	$0	$610,631	$617,874	0.3%
Childcare Matching	4,798,339	832,584	4,162,803	9,793,726	5,747,660	832,584	4,162,803	10,743,047	7,029,569	832,584	4,162,803	12,024,956	4.9%
Childcare Mandatory	1,312,779	0	2,086,198	3,398,977	1,312,779	0	2,086,198	3,398,977	1,312,779	0	2,086,198	3,398,977	1.4%
Childcare Discretionary	1,009,936	0	10,292,891	11,302,827	1,009,936	0	10,326,614	11,336,550	1,009,936	0	10,326,686	11,336,622	4.6%
Quality - Child Care	549,745	0	1,337,328	1,887,073	549,745	0	1,337,371	1,887,116	549,745	0	1,337,397	1,887,142	0.8%
Head Start	13,319	0	123,427	136,746	13,319	0	119,921	133,240	13,319	0	119,923	133,242	0.1%
Child Care Early Childhood Comprehensive	0	0	103,768	103,768	0	0	102,282	102,282	0	0	102,289	102,289	0.0%
Child Care Title IV-E Foster Care	182,447	0	400,000	582,447	182,447	0	400,000	582,447	182,447	0	400,000	582,447	0.2%
Child and Adult Care Food Program	36,349	0	9,778,672	9,815,021	36,348	0	10,296,785	10,333,133	36,348	0	10,547,678	10,584,026	4.3%
Subtotal Early Childhood Services	$7,910,168	$832,584	$28,826,771	$37,569,523	$8,859,478	$832,584	$29,441,733	$39,133,795	$10,141,386	$832,584	$29,693,605	$40,667,575	16.5%
Percent of Total	21.1%	2.2%	76.7%	100.0%	22.6%	2.1%	75.2%	100.0%	24.9%	2.0%	73.0%	100.0%	
Total Human and Community Services Div.	$30,521,552	$1,211,152	$176,542,323	$208,275,027	$32,741,090	$1,279,037	$202,835,191	$236,855,318	$34,220,208	$1,280,831	$211,094,716	$246,595,755	100.0%
Percent of Total	14.7%	0.6%	84.8%	100.0%	13.8%	0.5%	85.6%	100.0%	13.9%	0.5%	85.6%	100.0%	

Figure 14
Human and Community Services Division
Summary of Benefit and Grant Costs and Funding

	Fiscal 2008 Base				Fiscal 2010 Request				Fiscal 2011 Request				
Program	General Fund	State Spec. Rev	Federal Funds	Total Funds	General Fund	State Spec. Rev	Federal Funds	Total Funds	General Fund	State Spec. Rev	Federal Funds	Total Funds	Percent Total
Benefits & Claims													
TANF Cash Assistance	$769,957	$35,000	$15,456,439	$16,261,396	$769,957	$35,000	$17,256,674	$18,061,631	$769,957	$35,000	$17,798,523	$18,603,480	9.5%
TANF Employment, Training	1,391,635	-	316,997	1,708,632	1,373,198	-	635,434	2,008,632	1,373,299	-	635,333	2,008,632	1.0%
TANF Supportive Services	750,002	-	-	750,002	750,002	-	466,704	1,216,706	750,002	-	485,072	1,235,074	0.6%
SNAP (Food Stamps)	-	-	93,242,739	93,242,739	-	-	112,343,868	112,343,868	-	-	119,601,240	119,601,240	61.4%
SNAP Training/Support	24,650	-	60,474	85,124	26,126	-	58,998	85,124	26,176	-	58,948	85,124	0.0%
Energy & Weatherization Benefits		151,664	18,386,678	18,538,342	174,833	203,748	18,954,761	19,333,342	174,821	203,733	18,954,788	19,333,342	9.9%
ECA Emergency Housing Programs		-	1,243,148	1,243,148	-	-	1,243,148	1,243,148	-	-	1,243,148	1,243,148	0.6%
Energy and Commodities Admistration	13,522	-	254,733	268,255	11,577	-	256,678	268,255	23,105	-	245,150	268,255	0.1%
Childcare Matching	4,798,339	832,584	4,162,803	9,793,726	5,747,660	832,584	4,162,803	10,743,047	7,029,569	832,584	4,162,803	12,024,956	6.2%
Child and Adult Food Program	31,167	-	8,384,570	8,415,737	31,144	-	8,822,593	8,853,737	31,244	-	9,066,493	9,097,737	4.7%
Childcare Discretionary	653,304	-	6,658,228	7,311,532	651,360	-	6,660,172	7,311,532	651,356	-	6,660,176	7,311,532	3.8%
Childcare Mandatory	1,312,779	-	2,086,198	3,398,977	1,312,779	-	2,086,198	3,398,977	1,312,779	-	2,086,198	3,398,977	1.7%
Childcare Title IV-E Foster Care	182,447	0	400,000	582,447	182,447	0	400,000	582,447	182,447	0	400,000	582,447	0.3%
Childcare Quality	17,042	-	41,458	58,500	17,042	-	41,458	58,500	17,042	-	41,458	58,500	0.0%
Total Benefits & Claims	$9,944,844	$1,019,248	$150,694,465	$161,658,613	$11,048,125	$1,071,332	$173,389,490	$185,509,002	$12,341,797	$1,071,317	$181,439,331	$194,852,500	100.0%
Grants													
TANF Employment & Training	7,797,918	-	1,776,265	9,574,183	8,082,239	-	3,491,944	11,574,183	8,082,809	-	3,491,374	11,574,183	53.9%
SNAP Training/Support	308,017	-	755,659	1,063,676	326,454	-	737,222	1,063,676	327,081	-	736,595	1,063,676	5.0%
Energy and Commodities Administration	61,423	-	1,157,106	1,218,529	141,782	-	1,501,747	1,643,529	141,558	-	1,501,971	1,643,529	7.7%
Energy & Weatherization Benefits		4,977	603,364	608,341		6,491	601,850	608,341		6,491	601,850	608,341	2.8%
Refugee	-	-	140,980	140,980	-	-	140,980	140,980	-	-	140,980	140,980	0.7%
Childcare Discretionary	318,662	-	3,247,681	3,566,343	317,714	-	3,248,629	3,566,343	317,712	-	3,248,631	3,566,343	16.6%
Childcare Quality	503,197	-	1,224,095	1,727,292	503,186	-	1,224,106	1,727,292	503,179	-	1,224,113	1,727,292	8.0%
Child and Adult Food Program	3,211	-	863,795	867,006	3,268	-	925,738	929,006	3,211	-	931,795	935,006	4.4%
Head Start	11,343	-	105,112	116,455	11,641	-	104,814	116,455	11,641	-	104,814	116,455	0.5%
Childcare Early Childhood Comprehensive	-	-	95,075	95,075	-	-	95,075	95,075	-	-	95,075	95,075	0.4%
Public Assistance Bureau Admin.		-	5,000	5,000		-	5,000	5,000	5,000	-	-	5,000	0.0%
Total Grants	$9,003,771	$4,977	$9,969,132	18,982,880	$9,386,283	$6,491	$12,072,106	21,469,880	$9,387,191	$6,491	$12,077,199	21,475,880	100%

There is further discussion of the Governor's budget as well as related goals and objectives in the subprogram narratives.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the executive.

Program Funding Table
Human And Community Services

Program Funding		Base FY 2008	% of Base FY 2008		Budget FY 2010	% of Budget FY 2010		Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	$	30,521,552	14.7%	$	32,741,090	13.8%	$	34,220,208	13.9%
01100 General Fund		30,521,552	14.7%		32,741,090	13.8%		34,220,208	13.9%
02000 Total State Special Funds		1,211,152	0.6%		1,279,037	0.5%		1,280,831	0.5%
02375 6901-02 Indrct Activty Prog 02		111,538	0.1%		119,476	0.1%		121,276	0.0%
02515 School Lunch Opi/Warehouse		-	-		-	-		-	-
02688 6901-Tanf Overpayments		35,000	0.0%		35,000	0.0%		35,000	0.0%
02698 69010-Prevention&Stabilization		832,584	0.4%		832,584	0.4%		832,584	0.3%
02772 Tobacco Hlth & Medicd Initiative		58,936	0.0%		58,900	0.0%		58,896	0.0%
02931 Food Stamp Recoupment Account		-	-		-	-		-	-
02974 Univ Low Income Energy Assistance		173,094	0.1%		233,077	0.1%		233,075	0.1%
03000 Total Federal Special Funds		176,542,323	84.8%		202,835,191	85.6%		211,094,716	85.6%
03066 81.042 Bpa		442,018	0.2%		486,975	0.2%		486,969	0.2%
03096 Discretionary Child Care		11,630,219	5.6%		11,663,985	4.9%		11,664,083	4.7%
03103 Tanf Administration		-	-		-	-		-	-
03109 Tanf Benefits		17,683,397	8.5%		22,246,881	9.4%		22,807,073	9.2%
03135 Hopwa Help Plus		385,157	0.2%		385,157	0.2%		385,157	0.2%
03181 Paris State Partnership Grant		-	-		-	-		-	-
03191 Paris State Partnership Grant		-	-		-	-		-	-
03204 Energy Conservation: Exxon		-	-		-	-		-	-
03236 Child Nutrition		9,276,361	4.5%		9,758,170	4.1%		10,008,151	4.1%
03250 Child Care Manditory/Moe		2,086,198	1.0%		2,086,198	0.9%		2,086,198	0.8%
03251 Child Care Admin		541,684	0.3%		609,759	0.3%		610,631	0.2%
03252 Child Care Matching		4,162,803	2.0%		4,162,803	1.8%		4,162,803	1.7%
03268 Epa Wood Stove Replacement		-	-		-	-		-	-
03271 Food Stamp Participation		-	-		-	-		-	-
03323 Energy Conservation: Stripper		-	-		-	-		-	-
03382 03 Indirect Activity Prog 02		10,480,317	5.0%		11,417,640	4.8%		11,598,340	4.7%
03390 Reach		-	-		-	-		-	-
03448 6901-Early Childhood Comp Sys		103,768	0.0%		102,282	0.0%		102,289	0.0%
03467 6901-Homeless Mgmt Info Systm		66,980	0.0%		66,980	0.0%		66,980	0.0%
03518 93.044 - Aging Sup S & Train 1		-	-		-	-		-	-
03519 93.045 - Aging Meals 100%		41,168	0.0%		47,985	0.0%		47,984	0.0%
03523 93.566 - Refugee Soc. Serv		105,016	0.1%		85,000	0.0%		85,000	0.0%
03530 6901-Foster Care 93.658		400,000	0.2%		400,000	0.2%		400,000	0.2%
03539 93.600 Headstart		123,427	0.1%		119,921	0.1%		119,923	0.0%
03543 6901-Foodstamp Outreach 10.561		2,435	0.0%		2,436	0.0%		2,435	0.0%
03544 10.561 - Fs E & T - 50%		200,886	0.1%		200,876	0.1%		200,875	0.1%
03545 10.561 - Fs E & T - 100%		303,382	0.1%		303,367	0.1%		303,366	0.1%
03546 10.561 - Fs Adm - Fed Exp 50%		835,343	0.4%		839,563	0.4%		842,531	0.3%
03547 10.568 - Emerg Food Assist 100		151,137	0.1%		156,390	0.1%		156,385	0.1%
03548 10.569 - Food Distr - Fed Exp		1,632,720	0.8%		1,898,906	0.8%		1,903,269	0.8%
03550 14.231 - Emerg Shelter - Hud 5		407,410	0.2%		407,410	0.2%		407,410	0.2%
03552 81.042 - Weather Ben 100%		2,031,873	1.0%		2,555,944	1.1%		2,555,933	1.0%
03571 93.566 - Off Ref Reset Adm 10		36,020	0.0%		56,036	0.0%		56,036	0.0%
03572 93.568 - Lieap Blk Grt Adm		15,152,063	7.3%		15,195,350	6.4%		15,195,178	6.2%
03573 93.569 - Csbg Adm		3,244,364	1.6%		3,225,587	1.4%		3,227,240	1.3%
03580 6901-93.778 - Med Adm 50%		260,847	0.1%		307,651	0.1%		308,268	0.1%
03666 Aging - Caregiver Iii-E		-	-		-	-		-	-
03669 Doe Region 8		114,431	0.1%		219,420	0.1%		219,418	0.1%
03677 6901-Cacfp 10.558 & 10.560		502,311	0.2%		538,615	0.2%		539,527	0.2%
03678 6901-Food Stamp Benefits		93,242,739	44.8%		112,343,868	47.4%		119,601,240	48.5%
03679 6901-Hopwa Cfda#14-241		516,516	0.2%		516,516	0.2%		516,516	0.2%
03965 Csfp		379,333	0.2%		427,520	0.2%		427,508	0.2%
Grand Total	$	208,275,027	100.0%	$	236,855,318	100.0%	$	246,595,755	100.0%

The costs of this division are driven by the provision of benefits and the staff and contracted providers that deliver them throughout the state. The majority of funding for HCSD, 85.6 percent, comes from federal sources and is used for the direct provision of benefits and/or the programs supporting client recipients of the benefits. General fund provides 13.9 percent of the division's funding. General fund support is primarily used to achieve required TANF and child care

maintenance of effort (MOE) requirements and match federal programs such as Medicaid and SNAP eligibility determination, and child care benefits. State special revenue is primarily used in the delivery of childcare and energy and weatherization services, and comprises the preservation and stabilization fund and the universal systems benefits fund.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	30,521,552	30,521,552	61,043,104	91.16%	208,275,027	208,275,027	416,550,054	86.16%
Statewide PL Adjustments	651,124	689,948	1,341,072	2.00%	1,377,021	1,461,299	2,838,320	0.59%
Other PL Adjustments	1,243,414	2,683,708	3,927,122	5.86%	24,448,571	34,104,631	58,553,202	12.11%
New Proposals	325,000	325,000	650,000	0.97%	2,754,699	2,754,798	5,509,497	1.14%
Total Budget	**$32,741,090**	**$34,220,208**	**$66,961,298**		**$236,855,318**	**$246,595,755**	**$483,451,073**	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010					Fiscal 2011				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					2,247,010					2,327,893
Vacancy Savings					(929,751)					(932,998)
Inflation/Deflation					61,540					68,114
Fixed Costs					(1,778)					(1,710)
Total Statewide Present Law Adjustments					**$1,377,021**					**$1,461,299**
DP 20001 - Child and Adult Care Food Program PL Adj	0.00	0	0	500,000	500,000	0.00	0	0	750,000	750,000
DP 20002 - Child Care FPI, Market Rate, Caseload, Inc.	0.00	949,321	0	0	949,321	0.00	2,231,230	0	0	2,231,230
DP 20005 - TANF Cash Benefit Increase	0.00	0	0	1,800,235	1,800,235	0.00	0	0	2,342,084	2,342,084
DP 20006 - OPA Offices and Central Office Rent Increases	0.00	133,898	1,397	138,581	273,876	0.00	151,595	1,581	156,896	310,072
DP 20007 - Field Eligibility Staff Increase	5.00	146,995	1,533	168,778	317,306	10.00	287,683	2,827	297,162	587,672
DP 20008 - SNAP/Food Stamp Benefits	0.00	0	0	19,101,129	19,101,129	0.00	0	0	26,358,501	26,358,501
DP 20011 - Child Care for Working Caretaker Relatives	0.00	0	0	466,704	466,704	0.00	0	0	485,072	485,072
DP 20015 - IHSB Present Law Increases	0.00	0	60,000	950,000	1,010,000	0.00	0	60,000	950,000	1,010,000
DP 20018 - Restore Overtime/Holidays Worked	0.00	13,200	138	16,662	30,000	0.00	13,200	138	16,662	30,000
Total Other Present Law Adjustments	**5.00**	**$1,243,414**	**$63,068**	**$23,142,089**	**$24,448,571**	**10.00**	**$2,683,708**	**$64,546**	**$31,356,377**	**$34,104,631**
Grand Total All Present Law Adjustments					**$25,825,592**					**$35,565,930**

Program Personal Services Narrative

For the Human and Community Services Division, the statewide present law adjustments, the personal services discussion, and DP 20018 to restore overtime and holidays worked will be discussed at the program level. All other present law adjustments listed below will be discussed at the subprogram level.

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- **Market Rate** – As of June 30, 2008, HCSD was at 98 percent of the market survey, which was above the agency-wide 92 percent expectation. The division indicates that it experiences difficulty in achieving its target market ratio because of competition for staff from other programs within the agency and from contractors wanting agency staff with specific expertise. The division does make pay exceptions if advertising results in no applicants, or in situations requiring specialized skills such as a program manager or lead policy specialist where policy knowledge and experience is required or those with full time system development skills.
- **Vacancy** – HCSD vacancies generally occur in positions for eligibility assistants and social service specialists. This is mostly due to the rate of pay and employee frustration due to the complexity of the job, length of training and time required to become proficient in all programs, and the federal and state required emphasis on accuracy that must be presently achieved on out-dated computer systems. The division has addressed the long-term vacancies with improved initial training, offering flex schedules in larger offices, addressing staff morale through improved communications and team-building, developing web-based intuitive eligibility systems, and using temporary services. The impact of vacancies on the division affects the timely and accurate issuance of benefits, and results in increased workload and burnout for other staff, increased overtime costs, and the use of temporary services.
- **Legislatively applied vacancy savings** – HCSD addresses the 4 percent legislatively applied vacancy saving rate by holding some positions vacant for longer periods of time, which usually generates sufficient vacancy savings. However, the division experiences lack of responsive applications and turnover. HCSD also reports that it does not attain additional budget authority from vacancy savings beyond the 4 percent applied rate.
- **Pay Changes** – Pay changes were given to small groups of social service specialists and county directors to correct errors in the initial move to pay plan 20 and for internal equity. The 0.6 percent was given to all employees in year one. In year two, MPEA agreed to distribute the 0.6 percent evenly to those employees under market and and MEA/MFT agreed to distribute it to those employees under market with a proportionate amount going to those farthest from market. The division made some reclassifications to more accurately reflect duties, and the Intergovernmental Human Services Bureau (IHSB) added one modified position. The changes were funded through vacancies and the modified position was funded through available operating funds in the IHSB budget.
- **Retirements** – HCSD estimates that 258 employees (59 percent of total program workforce) will be eligible for retirement in the 2011 biennium. Based on current trends and projections, HCSD estimates that 35 employees will retire with an anticipated compensated absence liability of $285,180. The division estimates that 32 employees could retire in FY 2009. The division is concerned about the planned and potential retirements of several staff members and is taking steps for knowledge sharing and cross training.

LFD ISSUE

Vacancies and Staff Retention is a Reoccurring Theme of the Division

The division notes that vacancies and turnovers of eligibility assistants and social service specialists are on-going concerns that it is working to address. These are positions that are related to both the quantity and quality of services provided to HCSD clients.

The executive budget contains a request for $0.9 million for ten additional field staff in the Public Assistance Bureau. There is also a $6 million request in the Health Resources Division for 48 social service specialists and 6 supervisors that would be located in HCSD to handle the Medicaid eligibility expansion related to the I-155 Healthy Kids Initiative.

The legislature may wish to consider discussing with the division the development of:

- A goal with measureable objectives and an interim reporting timeframe that would address the division's staff retention plan and intended outcomes for the 2011 biennium
- A goal with measureable objectives and an interim reporting timeframe that would show the successes achieved by recruiting and hiring the additional 10.00 FTE
- A goal with measureable objectives and an interim reporting timeframe that would reflect the process used to hire the FTE necessary to properly address the Healthy Kids Initiative

Present Law Adjustment

DP 20018 - Restore Overtime/Holidays Worked - The Governor requests $60,000 for the 2011 biennium to restore zero-based overtime. The general fund requested is $26,400 for the biennium. $27,000 each year is for the overtime and holidays worked by employees in the county offices of public assistance and $3,000 each year is for drivers working in food distribution.

Other present law and new proposals are discussed at the subprogram level.

New Proposals

New Proposals

	Fiscal 2010					Fiscal 2011				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 20004 - Child Care Administration										
02	1.00	0	0	52,693	52,693	1.00	0	0	52,764	52,764
DP 20009 - TANF Second-Chance Homes										
02	0.00	0	0	300,000	300,000	0.00	0	0	300,000	300,000
DP 20013 - IHSB Contract Monitoring and Preparation										
02	1.50	0	0	77,006	77,006	1.50	0	0	77,034	77,034
DP 20017 - Family Economic Security Grant Program										
02	0.00	0	0	2,000,000	2,000,000	0.00	0	0	2,000,000	2,000,000
DP 20018 - Montana Hunger Reduction OTO										
02	0.00	125,000	0	0	125,000	0.00	125,000	0	0	125,000
DP 20019 - Low-Income Energy Assistance Program (LIEAP) OTO										
02	0.00	200,000	0	0	200,000	0.00	200,000	0	0	200,000
Total	**2.50**	**$325,000**	**$0**	**$2,429,699**	**$2,754,699**	**2.50**	**$325,000**	**$0**	**$2,429,798**	**$2,754,798**

Sub-Program Details

PUBLIC ASSISTANCE 01

Sub-Program Proposed Budget

The following table summarizes the proposed executive budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011	Total Exec. Budget Fiscal 10-11
FTE	424.30	5.00	0.00	429.30	10.00	0.00	434.30	434.30
Personal Services	19,349,682	1,478,439	0	20,828,121	1,776,953	0	21,126,635	41,954,756
Operating Expenses	3,722,399	401,959	0	4,124,358	486,711	0	4,209,110	8,333,468
Equipment & Intangible Assets	7,035	0	0	7,035	0	0	7,035	14,070
Grants	10,783,839	0	2,000,000	12,783,839	0	2,000,000	12,783,839	25,567,678
Benefits & Claims	112,047,949	21,368,068	300,000	133,716,017	29,185,657	300,000	141,533,606	275,249,623
Total Costs	**$145,910,904**	**$23,248,466**	**$2,300,000**	**$171,459,370**	**$31,449,321**	**$2,300,000**	**$179,660,225**	**$351,119,595**
General Fund	22,497,413	945,263	0	23,442,676	1,142,476	0	23,639,889	47,082,565
State/Other Special	205,504	7,872	0	213,376	9,668	0	215,172	428,548
Federal Special	123,207,987	22,295,331	2,300,000	147,803,318	30,297,177	2,300,000	155,805,164	303,608,482
Total Funds	**$145,910,904**	**$23,248,466**	**$2,300,000**	**$171,459,370**	**$31,449,321**	**$2,300,000**	**$179,660,225**	**$351,119,595**

Sub-Program Description

The Public Assistance Bureau:

- Administers Montana's Temporary Assistance to Needy Families (TANF) program, including the WoRC contracts for TANF work activity case management
- Administers the state Refugee Assistance program
- Determines eligibility for all Medicaid coverage groups
- Determines eligibility for Supplemental Nutrition Assistance Program (SNAP - formerly known as the Food Stamp Program), and administers contracts for SNAP employment and training services and nutrition education services

Budget Increases

The $2.1 million increase to the general fund addresses present law increases for:

- Nearly $0.3 million for rent increases
- Over $0.4 million for additional field staff and to restore overtime and holidays worked
- About $1.4 million in statewide present law adjustments to address statutory and legislatively approved pay increases, aligning FTE positions to market, benefits, and longevity for existing staff, and fully fund vacant positions

The increase in federal funding is driven by the $45 million request to increase SNAP benefit authority for food stamps and the $4 million in new proposals to use TANF funds to address second-chance homes and family economic security.

Major Programs

The two major programs of the Public Assistance Bureau are the Supplemental Nutrition Assistance Program (SNAP, formerly called food stamps) and the Temporary Assistance to Needy Families (TANF) program. Both programs have a benefit program as well as programs that deliver supportive services to benefit recipients. The goals submitted by the division for the two programs are:

- Increase the economic security and self-sufficiency of Montana families
- Ensure the health and safety of Montanans by providing essential services and linkages to community resources

The measurements by program are:
SNAP
- o Meet all federal accuracy and timeliness requirements
- o Expand the use of SNAP

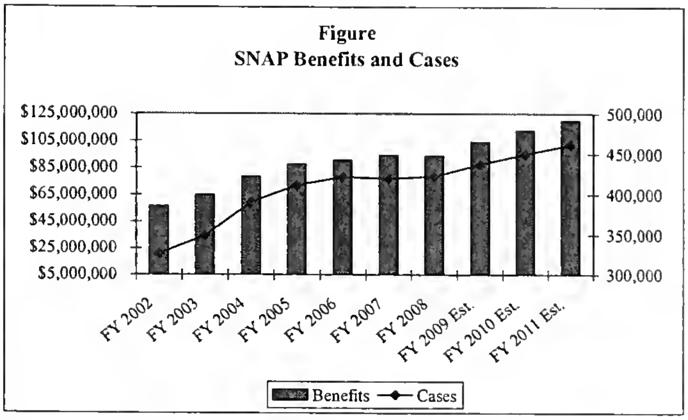
TANF
- o Provide basic cash grants
- o Engage all families in allowable work activities
- o Meet federal work participation requirements

As mentioned in the goal and objectives discussion in the program overview, the goals, objectives, and measurements should provide the legislature an understanding of the policy behind the basics of the numbers served and at what costs. The legislature should be able to understand the quality of services provided by the division and its contracted providers that were funded by past legislative appropriations and could be funded by the 2011 biennium requests.

The follow discussion addresses the SNAP and TANF programs in the light of the quality and quantity of their benefit and supportive services program.

The Supplemental Nutrition Assistance Program (Food Stamps)
The federally funded SNAP benefits provided by the federal SNAP Program are the largest benefit expenditure of HCSD. The FY 2008 base amount for benefits was over $93 million and over 422,000 cases were served. The Governor requests an increase of $45 million for the 2011 biennium to address the projected increase in SNAP program enrollment. The division estimates an annual benefit use of $119 million by FY 2011, which would support 461,881 cases. Figure 15 shows the growth of SNAP benefits and caseloads.

Figure 15



The executive budget also includes nearly $1.4 million over the biennium for SNAP employment and training (E&T) support services and approximately $2.3 million in nutrition education services through the SNAP ED (Nutrition Education) Program. It is federally mandated that each state have a program that provides employment training to SNAP recipients. In Montana is it mandated that SNAP applicants are informed about the SNAP E&T program, but participation is voluntary. Services provided in the SNAP E&T include a personal employment and training case manager, job skills training, soft skills training, work experience sites, referrals, and supportive services. Able-Bodied Adults without Dependents (ABAWDS) are individuals who are limited to receiving SNAP benefits for only three months out of each 36 unless they have an exemption, or attend the employment and training classes.

Funding for SNAP E&T is allocated through a combination of federal and state funds. The federal government allocates 100 percent funds for direct program services. Supportive services and administrative program costs are 50 percent matching federal funds, and 50 percent state funds. The division served 1,884 individuals in FY 2008 and estimates that it will serve 2,000 individuals in FY 2009. However, as of early December 2008, the Offices of Public Assistance were reporting that SNAP cases increased from 2,601 in May to 3,910 in October. As a result of these increases, there may be more individuals seeking E&T support services.

SNAP ED is a federal/state partnership that supports nutrition education to SNAP participants throughout the state. Services are contracted and managed by Montana University System. The goal of the program is to assist families in making healthy food choices, and maximizing their food budgets.

LFD ISSUE

The Division Goals for the SNAP Program need to Reflect both Quantity and Quality

The budget submission and its goals and objectives do not help the legislature understand what the division means by "expand the use of SNAP" and "meet all federal accuracy and timeliness requirements." There is no link from the $45 million request for addition federal authority for benefits or the overall program budget to the expanded delivery of services.

Additionally, the measurements do not contain any baseline information, time frames, outcomes or milestones from which the legislature can understand when work would begin, progress reports would be provided, or the intended outcomes achieved. There is also no quality measurement to help the legislature understand the quality of service and guidance applicants receive as they enter and navigate the SNAP system or the quality of support participants in E&T programs receive - whether the service is provided by state staff or contracted providers.

The division is forecasting an increase in the SNAP benefits without requesting an increase in the budget for the SNAP education and training support services that are serving the clients at the local level. Currently there are E&T offices in Helena, Butte, Billings and Missoula where services are provided through contracted providers. The funding of nearly $1.4 million over the biennium for SNAP E&T support services includes funds for local agencies of about $380,000. Funding for local agencies has been at about $380,000 since FY 2006, due to capped federal funds for this program. The legislature cannot tell if resources are sufficient to handle increased office needs for E&T or other offices, or if a new E&T office needs to be opened in another area.

Option

The legislature may wish to discuss with the division developing a goal with measureable objectives and an interim reporting timeframe that would address:

- The provision of SNAP support services and intended outcomes for the 2011 biennium
- The quality of services related the expenditure of resources at the SNAP E&T offices and/or offices at the state level and intended outcomes

If it is applicable to any of the new FTE requested by the Governor, the legislature may also wish to consider having a discussion with the division about developing a goal with measureable objectives and an interim reporting timeframe that would show the successes achieved by recruiting and hiring the additional FTE.

<u>Changes at the Federal Level</u>

Congress made changes to the Farm Bill that are projected to increase the SNAP caseload expenditures. The primary areas where Montana SNAP clients have already seen, or would soon see benefit increases are:

- Categorical eligibility for SNAP is expanded through an addition of a TANF program service (not a cash benefit), which allows the state to potentially reach more low-income clients. Beginning in March 2009, Montana will have an information and referral brochure/service that would qualify the state to add TANF clients at 185 percent of FPL to the SNAP eligibility mix. Additionally, the resource test for this eligible group is eliminated
- Minimum standard deductions for households with one to three members are increased from $134 to $144 for FFY 2009 and indexed to inflation beginning in FFY 2010
- Minimum benefits are increased from $10 to $14
- The standard utility allowance was increased to reflect the most current utility costs and was expanded to include those in subsidized housing
- Most education and retirement accounts are excluded as countable resources
- The dependent care cap is eliminated and the entire expense of the care is allowed when calculating the eligibility and benefit level

Unless otherwise indicated, the items listed here were recently implemented. The legislature may wish to request an update from the division at the time of its budget deliberations.

Temporary Assistance for Needy Families (TANF)

The families and children served by the TANF block grant and the balance of the TANF block grant have historically been of concern to legislatures. The TANF program is not an entitlement program, but rather a program that is funded by a capped grant that must be managed and has a major general fund requirement attached to it. As reflected in the earlier table, the major components of the TANF program contained in the Governor's budget account for $23 million general fund and $45 million federal funds over the biennium. The following discussion of TANF comprises an overview of the caseload, a brief background of the program, and the status of the TANF block grant.

Funding and Requirements

This program is funded by the TANF block grant that was created in 1996 by federal legislation commonly known as "welfare reform". Under the TANF program, states receive a set level of federal funding to support public assistance programs. Montana's annual federal grant is estimated to be about $38 million for each year of the biennium. In order to receive the TANF federal funds, a state must continue to expend state and local resources at a level known as the "maintenance of effort" or "MOE." Montana's annual MOE is about $13 million.

States must also meet other federal requirements, including work participation rates (WPR), data reporting requirements, limiting the beneficiary to a maximum 60 months per lifetime of benefits, and assignment of child support to the state by the beneficiary. Funds must be expended to achieve one of four TANF purposes: 1) provide assistance to needy families; 2) end dependency of needy parents by promoting job preparation, work, and marriage; 3) prevent and reduce out of wedlock pregnancies; and 4) encourage the formation and maintenance of two-parent families.

Tribal entities may choose to have their members receive services through the state TANF plan or choose to operate their own TANF plan. In Montana, four tribes, the Confederated Salish and Kootenai, the Fort Belknap Indian Community, the Blackfeet, and the Chippewa Cree at Rocky Boys Reservation have chosen to implement a Tribal TANF plan. Section 53-4-210, MCA governs the provision of a portion of the state maintenance of effort funds to tribes operating a Tribal TANF plan, and provides that $100,000 general fund from existing appropriations be transferred to new Tribal TANF plans each fiscal year of the biennium following implementation of the Tribal TANF plan and, when certain service population requirements are met, on-going fiscal support. While there are no new Tribal plans this year, the division's negotiated general fund support of Tribal programs, about $1.5 million per year, is an on-going part of the TANF MOE.

The division meets this requirement through the provision of cash grants and a myriad of support programs.

The Governor's Budget

The Governor presents a present law budget for the TANF program, but does request federal TANF funding of over $4 million to increase the cash assistance benefit level from 33 percent of the 2007 federal poverty level (FPL) to 33 percent of the 2009 FPL. This would increase the present monthly benefit from $568 to a projected $601.

As stated earlier, the goals submitted with the budget are:

- Provide basic cash grants
- Engage all families in allowable work activities
- Meet federal work participation requirements

LFD ISSUE

The Measurements do not Contain any Baseline Information, Time frames, Outcomes, or Milestones

As mentioned in the SNAP discussion, the budget submission and its goals and objectives do not help the legislature understand the link from the request for addition federal authority for benefits and the related support programs to the expanded delivery of services that may be needed as a result of the increase.

The measurements do not contain any baseline information, time frames, outcomes or milestones from which the legislature can understand when work would begin, progress reports would be provided, or the intended outcomes achieved. There is also no quality measurement to help the legislature understand the quality of service and guidance applicants receive as they enter and navigate the TANF system or the quality of support that participants in work activities receive - whether the service is provided by state staff or contracted providers.

Option
The legislature may wish to consider have a discussion with the division about developing a goal with measureable objectives and an interim reporting timeframe that would address:

- The provision of TANF support services and intended outcomes for the 2011 biennium
- The quality of services related the expenditure of resources at the state and local level and intended outcomes

The Present Status of the TANF Block Grant and Related Programs

The TANF Block Grant

The TANF block grant is a capped grant. Figure 16 shows the balance of the grant through 2013 and shows that the block grant is projected to decline to nearly $4 million by the end of FY 2013 if all proposals within the Governor's budget, the projected penalties, and the projected expenditures remain the same.

The top section of the table shows the balance of the grant, Montana's possible federally mandated penalty projected at about $200,000 for FY 2009 (See the "Sustainability of the Grant" issue in this section), and the benefit expenditures including the requested increase to raise benefits to 33 percent of the 2009 FPL.

The second section reflects the TANF grant share of DPHHS indirect costs, and the third section shows the new or continued uses of the TANF block grant.

The balance of the items reflects allowable transfers. TANF funds may also be transferred to the child care block grant and/or the Title XX, Social Services Block Grant, but the transfer may not exceed 30 percent of the grant award. Montana has historically transferred a large amount of TANF funds to the child care block grant for child care and some funds to Title XX for use in the foster care and/or developmental disabilities programs. In addition to the use of TANF funds transferred to Title XX for foster care, some TANF funds are also used for protective service programs. These expenditures became part of the historical level of expenditures that were used as a basis for calculating the amount of the state's block grant. The use of TANF funds for child welfare continues to be an allowable use of TANF funds if included in its approved state plan under the prior AFDC program.

Figure 16
TANF Block Grant
Items in Bold Print Indicate Requests for the 2011 Biennium

Categories of Expenditures	Actual FY 2007	Actual FY 2008	Projected FY 2009	Projected FY 2010	Projected FY 2011	Projected FY 2012	Projected FY 2013
Actual/Projected Balance of Grant	$34,871,395	$36,475,779	$34,329,793	$31,789,401	$25,538,106	$18,145,757	$11,712,300
Grant Amount	38,688,830	39,077,424	38,605,469	38,322,292	38,039,116	38,039,116	38,039,116
Projected Two Parent Penalty	0	0	(190,956)	(267,339)	(343,721)	(420,104)	(496,487)
Beginning Balance	$73,560,225	$75,553,203	$72,744,305	$69,844,354	$63,233,501	$55,764,769	$49,254,929
Expenditures:							
Benefits							
Cash Assistance	$13,787,096	$14,920,546	$17,225,138	**$19,238,991**	**$20,043,456**	**$20,644,760**	**$21,264,102**
Child Support Supplemental (HB 529)*	580,058	615,795	615,795	615,795	615,795	615,795	615,795
Total Benefits	$14,367,154	$15,536,341	$17,840,933	$19,854,786	$20,659,251	$21,260,555	$21,879,897
TANF Share of DPHHS Indirect Costs							
Indirect Program 02 - HCSD	$2,050,989	$2,112,519	$2,175,894	$2,241,171	$2,308,406	$2,377,658	$2,448,988
Indirect Program 03 - CFSD	1,357,771	1,398,504	1,440,459	1,483,673	1,528,183	1,574,029	1,621,250
Indirect Program 04- Director's Office	127,162	130,976	134,906	138,953	143,122	147,415	151,838
Indirect Program 06- Fiscal	347,898	358,335	369,085	380,158	391,563	403,310	415,409
Indirect Program 08 - QAD	119,116	122,690	126,371	130,162	134,066	138,088	142,231
Program 09 and 02 Systems - TEAMS	837,007	862,117	887,981	914,620	942,059	970,321	999,430
program 09 and 03 Systems - CAPS	199,134	230,000	230,000	230,000	230,000	230,000	230,000
Total cost allocation	$5,039,077	$5,215,142	$5,364,696	$5,518,737	$5,677,399	$5,840,821	$6,009,145
New or Continued Uses of the TANF Grant							
Second Chance Home Services Support	$0	$0	$0	**$300,000**	**$300,000**	**$300,000**	**$300,000**
Blackfeet Tribal New Contract	189,062	631,138	0	0	0	0	0
TANF System (removal from TEAMS)	0	2,600,000	2,200,000	2,000,000	1,800,000	0	0
CHIMES COSTS	1,016,404	883,596	0	0	0	0	0
Family Economic Security Plan	615,640	937,279	699,469	**2,000,000**	**2,000,000**	**2,000,000**	**2,000,000**
Grandparents Raising Grandchildren	19,824	16,696	0	0	0	0	0
Work Operator and OPA Improvements	91,829	22,108	0	0	0		
Child Care for Working Caretaker Relatives	0	325,249	683,784	**466,704**	**485,072**	**485,072**	**485,072**
Reversion to FY 2009 from CC unused $683,784		358,535					
Adult Basic Education	106,158	0	0	0	0	0	0
Food Banks	100,000	100,000	0	0	0	0	0
DOLI: Lake Employer Based Training, Missoula OJT, WoRC Contracts**	1,840,132	580,522	0	0	0	0	0
Work Support Payments	616,125	835,000	0	0	0	0	0
Post Employment Program	0	0	1,252,350	1,252,350	1,252,350	1,252,350	1,252,350
Accelerated Employment Services and Retention	443,124	310,850	504,436	504,436	504,436	504,436	504,436
Reversion of AE unused $504,436		147,303					
Other DOLI AE funds		314,416					
Emerg Assist & Prg 03 Foster Care Benefits	2,254,682	2,360,000	2,360,000	2,360,000	2,360,000	2,360,000	2,360,000
Total New or Continued TANF Uses	$7,292,980	$10,422,692	$7,700,039	$8,883,490	$8,701,858	$6,901,858	$6,901,858
Total Expenditures	$26,699,211	$31,174,174	$30,905,668	$34,257,013	$35,038,508	$34,003,233	$34,790,901
Transfers:							
Child Care	$8,387,010	$8,051,010	$8,051,010	$8,051,010	$8,051,010	$8,051,010	$8,051,010
Title XX program 03	1,998,226	1,998,226	1,998,226	1,998,226	1,998,226	1,998,226	1,998,226
Total Transfers	$10,385,236	$10,049,236	$10,049,236	$10,049,236	$10,049,236	$10,049,236	$10,049,236
Expenditures and Transfers	$37,084,447	$41,223,410	$40,954,904	$44,306,249	$45,087,744	$44,052,469	$44,840,137
Ending Balance	$36,475,779	$34,329,793	$31,789,401	$25,538,106	$18,145,757	$11,712,300	$4,414,792

* Includes HB 529 child support passthrough and disregard, and mayinclude some general fund payments

**Department of Labor and Industry

Sources: Division spreadsheet and SABHRS (12/3/2008)

The Role of the General Fund

There are two areas of the TANF program that impact the general fund. One is the TANF MOE and the other is the potential assessment of a work participation rate penalty.

As mentioned earlier, in order to receive the TANF federal funds, a state must continue to expend state and local resources at a level known as the "maintenance of effort" or "MOE." Montana's annual required MOE is about $13 million, but the legislature has supported about $14 million of expenditures over the past several biennia due mainly to the support of Tribal programs.

The largest part of the MOE general fund use is nearly $11 million for the administration and provision of the state and Tribal programs. Over $7 million of that amount is for contracted provider contracts and additional support services that provide employment, training, and other work activities throughout the state. Nearly $3 million is spent in other programs on TANF-eligible participants and expenditures. These include TANF related computer system development, children's basic health coverage, the child care MOE, and additional state program money.

The potential work participation penalty is presently estimated at about $200,000 for FY 2009. As mentioned earlier, should the penalty be assessed, the legislature would be asked to replace that amount with general fund at some point in time, possibly in the upcoming biennium.

Figure 17
TANF MOE Tracking Sheet
Expenditures as of October 2008*

Categories of Expenditures	Budget	Expenditures YTD	Remaining Balance*	Projection	Percent Spent
Uses of General Fund					
TANF Supportive Services County	$1,141,821	$354,848	($786,973)	$1,141,821	31.1%
Subtotal	$1,141,821	$354,848	($786,973)	$1,141,821	31.1%
TANF Employment and Training					
Direct Administration	$448,000	$112,635	($335,365)	$448,000	25.1%
Direct Program Costs	145,600	40,172	(105,428)	145,600	27.6%
Workers Compensation for Work Experience Sites	75,000	0	(75,000)	75,000	0.0%
Contracted Providers					
WoRC Contracts	4,880,266	1,021,912	(3,858,353)	4,880,266	20.9%
DOLI WoRC Contract	2,259,408	500,927	(1,758,482)	2,259,408	22.2%
DOLI Rent	74,244	32,470	(41,774)	74,244	43.7%
Other Services					
TANF Work Experience Sites	43,000	8,171	(34,829)	43,000	19.0%
Mental Health Centers (Billings and Great Falls)	146,574	10,698	(135,876)	146,574	7.3%
Special Projects	16,983	0	(16,983)	16,983	0.0%
TANF System	170,000	77,252	(92,748)	170,000	45.4%
Tribal Programs					
Fort Belknap Indian Community Transition	256,156	0	(256,156)	256,156	0.0%
Rocky Boy Transition	350,041	86,957	(263,084)	350,041	24.8%
Blackfeet Tribal New	$859,600	$274,898	($584,702)	$859,600	32.0%
Subtotal	$9,724,872	$2,166,092	($7,558,780)	$9,724,872	22.3%
Total General Fund	$ 10,866,693	$ 2,520,940	$ (8,345,753)	$ 10,866,693	
Other Funds					
System Development	$250,000	$87,267	($162,733)	$250,000	34.9%
Children's Basic Coverage - Health Resources Division	647,952	113,083	(534,869)	647,952	17.5%
Child Care MOE	1,313,990	0	(1,313,990)	1,313,990	0.0%
State Administration	638,825	0	(638,825)	638,825	0.0%
State Program	904,015	226,004	(678,011)	904,015	25.0%
Subtotal	$2,856,830	$226,004	($2,630,826)	$2,856,830	7.9%
TOTAL All Funds	$14,621,475	$2,947,293	($11,674,182)	$14,621,475	20.2%
MOE Requirement				$13,129,342	
State MOE over/(under) the Required MOE				$1,492,133	

*34 percent of the year is elapsed in this snapshot.

LFD ISSUE What is the Sustainability of the TANF Block Grant and What does $38 million in TANF Funds Presently Buy?

As shown in Figure 16 division staff projects the TANF block grant declining to nearly $4 million by the end of FY 2013. This would not sustain a positive cash flow of the block grant into FY 2014 if all proposals within the Governor's budget, the projected penalties, and the projected expenditures remain the same.

Consequentially, there are policy and fiscal issues for the legislature to consider when discussing the expenditure of federal TANF funds. For example:

- What if any level of TANF block grant reserve does the legislature wish to maintain?
- What level of cash assistance does the legislature wish to fund?
- What is the benefit to the state and TANF clients of each of the existing uses of the TANF fund that are included in the Governor's present law budget?
  - Food bank support ($100,000 each year)
  - Post Employment Program ($1.3 million each year)
  - Accelerated Employment Service Program ($0.5 million each year)
  - Emergency assistance and foster care benefits ($2.3 million each year)

The legislature may wish to have the division discuss the existing proposals listed above in light of the goals and anticipated outcomes in this biennium, and if applicable, future biennia to gain a better understanding of the programs before discussing the Governor's proposals.

Staff mentions this because lack of goals and objectives led to a failed appropriation from last session. The 2007 Legislature directed the division to include $504,436 of TANF block grant funds each year of the biennium to support additional employment and training activities, including antipoverty efforts, and enhance the work capacity of TANF recipients. No goals or measurements were discussed during subcommittee deliberation of the appropriation. The division did not take a lead to guide the contractors to establish programs and expend the funds; the contractors awaited direction from the division as to when and how to expend the funds and took no action. Neither the division nor contractors addressed the legislative intent for contractors to use the appropriation to address antipoverty efforts and enhance the work capacity of TANF recipients in their areas. Only $310,850 of the FY 2008 appropriation was used to pay contracted providers for services they were already providing. (Accelerated Employment Line in Figure16)

Options

As a means for the legislature to understand the quantity and quality of benefits and/or services funded by the TANF block grant funds as well as the MOE general funds and address the sustainability of the TANF block grant, the legislature may wish to:

- Have the division expand the measurements to its TANF goal (provide basic cash grants, engage all families in allowable work activities, and meet federal work participation requirements) to include data that would reflect the benefit or service provided, the number of clients receiving the benefit or service and, where applicable, the quality of the service provided
- Select a program from the TANF block grant and have the division develop a goal and measureable objectives to monitor or report to the 2011 Legislature

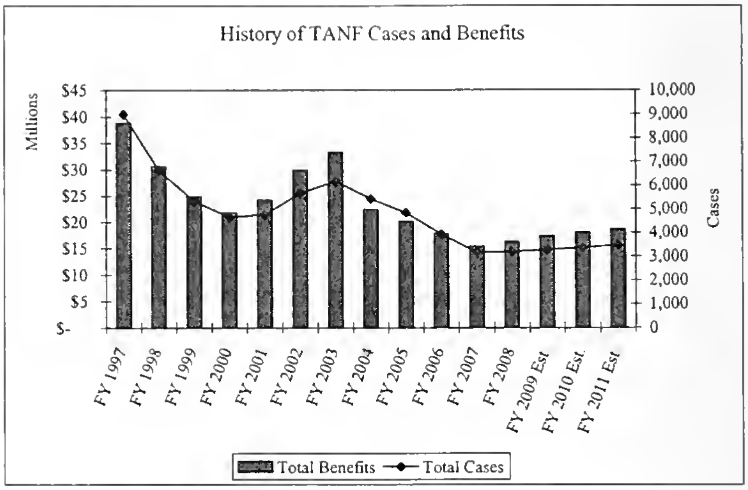
<u>Cash Assistance and Caseload</u>

Figure 18 shows the decline and increase of Montana's TANF caseload from FY 1997 through FY 2007 and the projected increases for the 2011 biennium.

Economic conditions appear to already be having an upward impact on caseloads in FY 2009, and the full impact is not yet known. Updates will be provided to the legislature throughout the session. However, the full impact of the caseload will likely not be known until after the legislature adjourns. Therefore, the legislature may wish to discuss with the division strategies for dealing with the increased caseload during the interim, including regular updates to the Children and Families Interim Committee and the Legislative Finance Committee.

Figure 18 shows the requested funding to increase the benefit level from 33 percent of the 2007 FPL to 33 percent of the 2009 FPL and accommodate a 3 percent per year increase in the caseload.

Figure 18



The Federal Deficit Reduction Act (DRA) of 2005

Although the basics of the TANF block grant funding and MOE expenditures remain the same, the DRA imposed changes in the TANF definitions, the largest impact of which relates to the method states use to calculate successful outcomes for engaging participants in newly defined mandatory work activities (called work participation rates(WPR))and the penalties to be imposed on states that are unable to meet the expectations. As a result, the DRA presently drives two of the measurements the division submitted with its TANF goals: 1) engage all families in allowable work activities; and 2) meet federal work participation requirements. The general fund is also impacted by the DRA on two levels:

- The contracted services throughout the state that provide employment, training, and other work activities are supported by about $7 million of general fund
- The assessment of a work participation rate penalty, which is presently estimated at about $200,000 for FY 2009

If a state fails to meet the work participation rates, it is subject to a penalty equal to a 5 percent reduction of its federal grant the first year, and an additional 2 percent each successive year the rate is not met up to a total of 21 percent of the block grant. The state is also required to: (1) backfill its federal penalty with state funds; and (2) increase its maintenance-of-effort (MOE) spending by 5 percent. However, there are several levels to the final assessment of or adjustment to the penalty amount.

The penalty is initially based upon the state's achievement of work participation rates set federally at 50 percent for all families and 90 percent for two-parent families. States can add to their actual participation rate and reduce the potential of a penalty with case load reduction credits or bonus credits for what state spends in excess MOE. The latter is important because the division's general fund support of Tribal programs, about $1.5 million per year, is an allowable credit addition.

As shown on line three in Figure16, the TANF Block Grant, Montana's penalty is projected at about $200,000. Montana is presently at 89 percent of the two-parent rate, and has met its all family rate, so there is a chance there will not be a penalty in FY 2009. However, should the penalty be assessed, the legislature would be asked to replace that amount with general fund at some point in time, possibly in the upcoming biennium.

Budget Summary By Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	22,497,413	22,497,413	44,994,826	95.57%	145,910,904	145,910,904	291,821,808	83.11%
Statewide PL Adjustments	651,170	689,998	1,341,168	2.85%	1,262,216	1,338,920	2,601,136	0.74%
Other PL Adjustments	294,093	452,478	746,571	1.59%	21,986,250	30,110,401	52,096,651	14.84%
New Proposals	0	0	0	0.00%	2,300,000	2,300,000	4,600,000	1.31%
Total Budget	**$23,442,676**	**$23,639,889**	**$47,082,565**		**$171,459,370**	**$179,660,225**	**$351,119,595**	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010					Fiscal 2011				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					2,083,635					2,159,939
Vacancy Savings					(857,341)					(860,406)
Inflation/Deflation					37,635					41,032
Fixed Costs					(1,713)					(1,645)
Total Statewide Present Law Adjustments					**$1,262,216**					**$1,338,920**
DP 20005 - TANF Cash Benefit Increase	0.00	0	0	1,800,235	1,800,235	0.00	0	0	2,342,084	2,342,084
DP 20006 - OPA Offices and Central Office Rent Increases	0.00	133,898	1,397	138,581	273,876	0.00	151,595	1,581	156,896	310,072
DP 20007 - Field Eligibility Staff Increase	5.00	146,995	1,533	168,778	317,306	10.00	287,683	2,827	297,162	587,672
DP 20008 - SNAP/Food Stamp Benefits	0.00	0	0	19,101,129	19,101,129	0.00	0	0	26,358,501	26,358,501
DP 20011 - Child Care for Working Caretaker Relatives	0.00	0	0	466,704	466,704	0.00	0	0	485,072	485,072
DP 20018 - Restore Overtime/Holidays Worked	0.00	13,200	138	13,662	27,000	0.00	13,200	138	13,662	27,000
Total Other Present Law Adjustments	**5.00**	**$294,093**	**$3,068**	**$21,689,089**	**$21,986,250**	**10.00**	**$452,478**	**$4,546**	**$29,653,377**	**$30,110,401**
Grand Total All Present Law Adjustments					**$23,248,466**					**$31,449,321**

<u>DP 20005 - TANF Cash Benefit Increase -</u> The Governor requests $4 million of federal TANF block grant funds for the biennium to fund a projected 3 percent increase per year in the case load of TANF benefit recipients and to increase the benefit level from 33 percent of the 2007 federal poverty level to 33 percent of the 2009 federal poverty level. Eligibility for the TANF program will remain at 30 percent of the 2002 federal poverty level.

At the time of preparation of this decision package, the average case load for calendar year 2007 was 3,175. Using a 3 percent annual case load increase, the projected case load for 2010 and 2011 is 3,470 and 3,573, respectively.

<u>DP 20006 - OPA Offices and Central Office Rent Increases -</u> The executive requests $0.6 million over the biennium for increases in rent of non-Department of Administration office space. Funding is split at nearly $285,000 general fund and $296,000 federal revenue over the biennium. Offices in 22 counties will have rental increases in accordance with

established lease agreements. Funding at this level allows the department to maintain the leases that are currently under contract and provides the infrastructure for the department to meet its mission.

LFD ISSUE

Budget Request

One component of the rent request is $234,182 over the biennium for staff that will ultimately move to the new South Pointe building in Helena. This amount is essentially a place holder at this time because the staff is scheduled to relocate to a new building that is not yet built. The increase is based on a July 2009 move, but the actual date is uncertain. This amount also includes $81,900 for furniture, telephones, and telephone jacks and wiring associated with the move into the new building.

Options the legislature may wish to consider:

- Restricting the $234,182 of the request to be expended only on payment of rent for the individuals scheduled to move into South Pointe offices to ensure the funds are not spent on other items if they are unused
- Designating the $81,900 request for communications equipment as one-time-only so that amount does not go into the base, and restricting the amount to ensure the funds are not spent on other items if they are unused

DP 20007 - Field Eligibility Staff Increase - The Governor requests slightly more than $0.9 million in cost allocated authority over the biennium. The request is for: 1) 5.00 FTE for the Offices of Public Assistance (OPAs) in FY 2010 and an additional 5.00 FTE in FY 2011; and 2) funding for the state share of costs for eligibility work done by the two Rocky Boy's Tribal Health employees who are determining Medicaid eligibility for tribal families and children per a program agreement between the Rocky Boy's Tribe and Montana Medicaid. The general fund authority requested would be about $0.4 million for the biennium and federal revenue about $0.5 million.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: With the exception of TANF, caseloads have grown substantially with no additional overall eligibility FTE added since welfare reform began in 1996. The additional 10 Social Services Specialists would:

- Help OPAs address workload, an increasing amount of new applications, the increasingly complex eligibility work, and federal expectations
- Allow the division to address an aging workforce, a 25 percent annual turnover rate in the eligibility staff, and the need for a new worker to have up to six months of training to become capable of totally independent casework
- Help OPAs address the increased the caseload for both Medicaid and SNAP resulting from the presence of the tribal Medicaid eligibility workers
- Assist in the phase-in process of the implementation of the CHIMES-Medicaid system updates and the double entry for combination cases until the TANF-SNAP systems are complete, which it is estimated will significantly increase the existing workload for the next three to four years

The Public Assistance Bureau has taken several actions to address workload issues, including: 1) Flattening management and reclassifying those positions resulting in a total 304 staff members statewide solely dedicated to eligibility with some supervisory staff carrying caseloads during vacancies; 2) Moving FTE from declining traffic areas to high traffic offices; 3) Instituting same day service and shared caseloads, telephone interviews, fast track training, corrective action plans when staff turnover has caused accuracy problems, and career ladder and succession planning.

Goal: Decrease workload to reasonable caseload numbers in high traffic OPA offices through a 1.64 percent field eligibility FTE increase in FY 2010 and an additional 1.64 percent field eligibility FTE in FY 2011.

Performance Criteria: Individual and office caseloads will be monitored and adjusted to provide timely and accurate service in determining eligibility for public assistance benefits to Montana citizens.

Milestones:

July 2009 Five FTE are recruited for offices determined to be most in need based on caseload numbers. Training follows immediately.

July 2010 Five additional FTE are recruited for offices determined most in need based on caseload numbers. Training follows immediately.

Obstacles:

There could be recruitment and/or retention problems due to complexity of the work.

Risks: Without the additional FTE, Public Assistance Bureau faces the possibility of increased error/incorrect payments to participants, federal sanctions for untimely or inaccurate benefits, low worker morale, increased turnover due to work loads, delays in benefit issuance, and more client complaints.

LFD COMMENT

The Legislature May Wish To Monitor This Request During The Biennium

As in its discussion of personal services issues, the division lists the recruitment and/or retention of staff as a potential problem. The legislature may wish to consider discussing with the division the development of a goal with measureable objectives and an interim reporting timeframe that would address the workload and caseload items that the division presents in its justification and track the improvements that result from the addition of 10.00 FTE for the Public Assistance Bureau.

DP 20008 - SNAP/Food Stamp Benefits - The executive requests $45 million of federal appropriation authority over the biennium to fund the anticipated caseload and poverty level adjustments. From July 2001 to October 2008, the SNAP/food stamp benefit cases have increased from 27,120 cases per month to 36,321 cases per month, a 33.9 percent increase. Estimated SNAP/food stamp program expenditures for FY 2010 are $112,589,791 and $119,847,163 for FY 2011 and would support an additional annual average of 1,648 and 2,487 cases per month respectively.

In addition to the changing Montana economy, the increase in the benefit amount is attributed to changes made by the 2007 Farm Bill and on-going outreach efforts to increase enrollment. Changes include an increase in the minimum standard for households of one to three, the elimination of the dependent care cap, retirement account exclusions, and an increase in the minimum benefit along with annual standard changes. There is further discussion of this request in the subprogram narrative.

DP 20011 - Child Care for Working Caretaker Relatives - The Governor requests nearly $1 million of federal TANF block grant authority for the 2011 biennium to provide child care for working caretaker relatives of eligible children for the TANF child-only grant. As of October 2008, there were about 130 – 150 children fitting this scenario and the division estimates that 40 percent, or about 56 families, of the working relative caretakers need childcare assistance. The cost of child care for 2010 is estimated at $4,167 per child per year and for 2011 the estimate is $4,331. Data supports that most of these 56 families will have 2 children in each family.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: Extended relatives, who are called upon to raise their TANF-eligible child relatives, are often still working when they begin taking care of these children and in some cases cannot afford to quit their employment to assume the responsibility of these children, nor can they afford to absorb the high costs of child care. Current federal child care policy requires that the caretakers' income be counted toward eligibility for child care assistance, making many of these families ineligible, but the child may be.

Goals: 1) To stabilize the lives of children who are unable to be cared for by their parents, and to prevent these children from entering the child welfare system; and 2) provide TANF-funded child care to approximately 56-60 working caretaker relative situations monthly to allow them to continue employment while caring for these children.

Performance Criteria: Outcomes measured would be the number of employed caretaker relative families that continue to use the childcare services, and the number of children benefiting from the experience of quality childcare services. Between implementation July 2007 and fiscal year end 2008, an unduplicated 81 working caretaker relative families benefited from this program.

Milestones:
On-going - Accept child care benefit applications from caretaker relatives
Monthly – Monitor number of working relative caretakers with childcare benefits and number of children receiving childcare

Risks: TANF is not an entitlement program so the remote possibility exists that the block grant could be exhausted resulting in cuts or elimination to this program and others.

LFD ISSUE

In the 2007 biennium, the division requested $683,784 each year to implement a new program to assist working caretaker relatives. The 2007 Legislature approved the request with a designation of one-time-only (OTO) and restricted funding to protect the amount of funds in the TANF block grant in the event the entire appropriation was not expended. The division expended $325,249 of the requested funds for FY 2008. This request would reinstate the OTO funding, but at an amount closer to the actual expenditures.

Goals supplied with the 2007 request were the same as with this request and indicated that approximately 56-60 working caretaker relatives could be served.

Options
As mentioned in the subprogram overview, the TANF block grant is in a vulnerable position. The 2009 Legislature may wish to consider if it wants to continue the work of the 2007 Legislature and spend TANF funds to continue the working caretaker program at this time.

Should the legislature want to fund the full request and allow the next legislature to evaluate the status of the TANF block grant, it could consider designating the appropriation as one-time-only, or restricting the funds for only the working relative caretaker program to protect the amount of funds in the TANF block grant in the event the entire appropriation was not expended.

Should the legislature wish to continue the program, but conserve the amount of TANF Block Grant funds, it could consider reducing the amount of the request to serve fewer than 56 families. For example: Using the division's formula, with which LFD staff concurs, serving 40 families would entail $679,840 over the biennium including: 40 families x $4,167 x 2 children = $333,360 for FY 2010 and 40 x $4,331 x 2 = $346,480 for FY 2011) This would save about $130,000 each year.

Additionally, because the program would have over a year of data available, the legislature may wish to have the division begin tracking the second half of its goal "to stabilize the lives of children who are unable to be cared for by their parents and to prevent these children from entering the child welfare system" and provide an update to the LFC in October 2010. This would provide information to the next legislature about the number of children served in the program and if any children entered the welfare system from the caretaker relative program.

New Proposals

New Proposals										
	Fiscal 2010					Fiscal 2011				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 20009 - TANF Second-Chance Homes										
01	0.00	0	0	300,000	300,000	0.00	0	0	300,000	300,000
DP 20017 - Family Economic Security Grant Program										
01	0.00	0	0	2,000,000	2,000,000	0.00	0	0	2,000,000	2,000,000
Total	**0.00**	**$0**	**$0**	**$2,300,000**	**$2,300,000**	**0.00**	**$0**	**$0**	**$2,300,000**	**$2,300,000**

DP 20009 - TANF Second-Chance Homes - The executive requests $0.6 million of federal TANF block grant for the biennium to support residential services to high-risk teen parents. Montana currently has three facilities that would qualify as second chance homes as defined in the TANF Federal legislation. These facilities are located in Billings, Missoula and Helena. These three homes would each receive $100,000 annually. Funding would help maintain the existence of 26 beds for teen-age mothers.

Presently no TANF funds are used directly at these facilities. The purpose of this funding is to: 1) ensure that these facilities continue to provide the opportunity for 26 young mothers to be successful in the face of rapidly increasing costs; 2) provide stable funding to teen parents in the event that the US Housing and Urban Development (HUD) funding targeted to homeless teen parent populations is discontinued as presently indicated; and 3) provide three regional programs that can provide information and expertise to communities in support of teen parents.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: One of Montana's most vulnerable populations is teen-age mothers who do not have a place to live. Both the mother and child may be subject to dangerous situations including abuse, criminal activity and drug use. Additionally, newborns may not receive the bonding support, nutrition, or health screenings they need.

Goals:

- Ensure that on a statewide basis there are 26 beds available for teenage mothers who are at high risk of negative outcomes
- Fund expertise and information to communities in Montana regarding successful strategies for working with teen parents

Performance Criteria:

- 26 beds will be available for TANF-eligible teen mothers in Montana during the 2011 biennium
- The three "second chance homes" will coordinate with the HCSD to provide information to targeted community partners on successful strategies to assist teen parents

Milestones:
2010 – Complete contract negotiations and release of funds
2011 – Develop an educational/technical assistance product
On- going – Provide client based services such as assisting the teen parent with housing, parenting education and technical assistance

Risks: Failure to address these needs may result in the need for additional public services during the lifetime of the child.

If TANF caseloads expand rapidly it may be necessary to divert funding to TANF cash benefits

LFD ISSUE

There is General Fund Available for this Request

There is general fund available for this in the TANF MOE general fund. The children's basic coverage is listed as over $0.6 million in the TANF MOE budget (Figure 17 - Other Funds). However, in FY 2008 the Health Resources Division transferred over $0.4 million back to the TANF program and maintains only $209,495 in its base for this purpose. Consequentially, about $0.4 million of the $0.6 million listed is basically a placeholder. Homes for teen mothers would be an allowable expenditure.

Options

Should the legislature opt to fund this request, it may want to consider
- Using TANF MOE general fund should the legislature not want to reduce the TANF block grant
- Monitoring this request over the biennium

DP 20017 - Family Economic Security Grant Program - The Governor requests $4 million of federal TANF block grant funds for the biennium to promote family economic security. This project utilizes financial literacy training, asset development, and education/training to assist in obtaining higher wages. This program would assist families to become financially secure.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: In August of 2006, DPHHS began the family economic security initiative. The purpose of this initiative was to increase the financial security of low-income families. Strategies used to accomplish this include asset creation, financial literacy education, and other training/education. The division has utilized $1.5 million of TANF high performance bonus funds to operate this project. During the next biennium the division proposes to continue this project by using TANF federal block grant funds. This project addresses the criticism of "welfare reform" that people who leave TANF remain financially insecure.

Goals:
- Provide financial literacy education to at least 300 households during the biennium
- Provide asset development assistance to at least 100 households during the biennium including things like home ownership, educational opportunity, and matched savings accounts
- Provide education/training to assist in obtaining higher wages to at least 220 households during the biennium.

Performance Criteria:

Clients would:
- Complete financial literacy training
- Obtain assets such as a degree, bank account, or home ownership
- Secure employment at wages that allow for economic security

Milestone:
- Re-procure project contracts through competitive process
- Continue quarterly reporting requirements
- Release annual funding allotments

Obstacles: This project entails a continuing process of identifying successful strategies. Each client requires an individual plan that varies in length. This makes outcome evaluation difficult.

Risks: If the cost of the TANF cash benefit increases this program is at risk of discontinuation.

LFD ISSUE

The Milestones and Performance Criteria Do Not Contain Timeframes

Resources of this request would be delivered to clients through contracted providers throughout the state. However, the milestones and performance criteria submitted with the request do not contain timeframes that show the legislature:

- When the competitive process for the contracts would begin, funds would be mobilized to contractors, or when and how funds would be passed on to individuals throughout the state
- When individuals would undertake or complete the items listed in the performance criteria

The legislature cannot tell the amount of funding that could be released in the annual funding allotments or when those resources would benefit the clients. There is no evidence that the full $2 million is needed in the first year.

Options

Should the legislature want to address the sustainability of the TANF block grant and understand the quantity and quality of the TANF benefits or services, the legislature may wish to consider:

- Having a discussion with the division about including measureable objectives for both quality and quantity of services to the goals listed in the request to allow the legislature to understand the expenditure of the TANF resources at the office as well as the state level
- Having the division present a budget that would show how $2 million could be spent in the first year of the grant

Sub-Program Details

ENERGY AND COMMODITIES 02

Sub-Program Proposed Budget

The following table summarizes the total proposed executive budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011	Total Exec. Budget Fiscal 10-11
FTE	15.51	0.00	1.50	17.01	0.00	1.50	17.01	17.01
Personal Services	939,675	34,586	77,006	1,051,267	37,610	77,034	1,054,319	2,105,586
Operating Expenses	1,894,758	135,961	0	2,030,719	138,711	0	2,033,469	4,064,188
Equipment & Intangible Assets	83,552	0	0	83,552	0	0	83,552	167,104
Grants	1,826,870	300,000	125,000	2,251,870	300,000	125,000	2,251,870	4,503,740
Benefits & Claims	20,049,745	595,000	200,000	20,844,745	595,000	200,000	20,844,745	41,689,490
Total Costs	**$24,794,600**	**$1,065,547**	**$402,006**	**$26,262,153**	**$1,071,321**	**$402,034**	**$26,267,955**	**$52,530,108**
General Fund	113,971	(35)	325,000	438,936	(38)	325,000	438,933	877,869
State/Other Special	173,064	60,013	0	233,077	60,011	0	233,075	466,152
Federal Special	24,507,565	1,005,569	77,006	25,590,140	1,011,348	77,034	25,595,947	51,186,087
Total Funds	**$24,794,600**	**$1,065,547**	**$402,006**	**$26,262,153**	**$1,071,321**	**$402,034**	**$26,267,955**	**$52,530,108**

Sub-Program Description

Energy and Commodity services are delivered through:

- The Community Services block grant, which is used by 10 Human Resource Development Councils to provide a wide range of community-based human services
- The Low-Income Energy Assistance Program (LIEAP) and Weatherization program
- The DOE Weatherization program including funding for weatherization from five other sources
- The Emergency Shelter grants program
- The Housing Opportunities for Persons with AIDS grant
- Three USDA commodities programs. In addition, the bureau stores and distributes USDA commodity foods to elderly feeding sites, and stores USDA commodity foods for school lunch programs

Low-Income Energy and Weatherization Programs

The largest part of the budget, nearly $42 million over the biennium, is the low-income energy and weatherization program benefits, primarily due to:

- Low-income Energy Assistance (LIEAP) benefit payments that cover part of a household's total heating costs for the winter
- Weatherization programs that focus on education and support for weatherization needs to a home by providing services ranging from energy education to furnace repairs/replacements, installing insulation, weather stripping, and winterization of doors and windows

The Governor's Budget

In the 2011 executive present law budget, the Governor proposes an increase of $3 million in general and federal funds to support energy and weatherization activities over the biennium with:

- $2 million in federal funds and state special revenue authority for anticipated expenditure increases for federal grants and the universal low-income energy assistance fund, which comes from consumer charges on utility bills and is passed on to energy assistance and weatherization activities
- $0.4 million of general fund to supplement low-income energy assistance benefits or for weatherization activities
- $0.3 million in one-time-only general fund to assist Montana food banks and other food assistance entities replenish food reserves
- $0.1 million federal fund authority for personal services to support 1.50 FTE added for increased workload

2007 Legislative Initiatives for the Montana LIEAP Program
The 2007 Legislature approved the executive request to spend federal revenue of $1.6 million from the Exxon energy conservation and the energy conservation stripper accounts and passed HB 41 to change 90-4-215, MCA to allow the funds to be spent.

Additionally, legislators expanded the Governor's energy emergency power concerning the price of energy through SB 60, which allows the Governor to use emergency funds in events where the price of energy results in curtailment of essential services and is a threat to the health or safety of the segments of the population who are most in need due to their economic, social, or medical circumstances.

LIEAP Interim Update
During the interim in response to the increase in utilities, the Governor issued a statutory authority of $1 million in Executive Order 36 that provided nearly $0.5 million for weatherization assistance benefits, $0.5 million to address low/no cost weatherization issues, and outreach activities for both LIEAP and weatherization.

The state also received notice from the federal Low-Income Home Energy Assistance Program (LIHEAP) of the following allocations that would impact the 2008 heating season:

- $580,327 of LIEAP contingency funds to be utilized in the same manner as the state's regular LIEAP funding
- $35.2 million for its federal LIEHAP grant, of which $6 million is for six of Montana's Tribal programs[1]

The $35.2 million LIHEAP grant is an increase of $16.3 million over the $18.9 million received last program year. The increase is due to action at the congressional level to address the uncertain economy and increases in home heating costs.

As a result IHSB estimates that for the 2008-2009 heating season, LIEAP assistance could reach $919 per household, representing an increase of $393 from October 2007-2008 heating season assistance. The higher funding level will also increase LIEAP funds utilized in the weatherization program by approximately $1 million resulting in an additional 252 homes being weatherized during the 2008-2009 heating season.

Figure 19
LIEAP

State FY	LIEAP Grant	Benefit Payments	Households	Average Benefit
2000	$7,224,938	$5,365,890	14,281	$376
2001	13,518,119	7,618,883	16,824	453
2002	11,054,356	6,357,928	16,976	375
2003	11,852,430	7,419,600	17,550	423
2004	11,236,752	8,921,955	19,187	465
2005	12,781,838	9,766,078	20,463	477
2006	18,805,528	13,268,755	21,221	625
2007	11,528,631	7,309,184	19,254	380
2008	15,532,289	9,904,054	18,829	526
2009*	29,629,101	20,004,253	21,768	919

*Projected as of 12/8/2008

The difference between the grant and benefit amount is due to the required amounts spent on weatherization projects and allowed for administration.

Figure 19 shows the growth in benefit payments and households served from FY 2000 through FY 2009 and reflects the new historic high in benefit payments that is projected for FY 2009. As of early December 2008, division staff reports a 14 percent increase in approved applications in compared to December 2007. The amount of the benefits should remain at the 2009 level shown in Figure19.

[1] Tribal LIEAP Programs
There are six reservations in Montana that manage LIEAP programs independently of the state administered program described above. The six reservations report benefit amounts and households served directly to the U.S. Department of Health and Human Services. These programs are operated on the Northern Cheyenne, Fort Belknap, Fort Peck, Rocky Boys, Flathead and Blackfeet Reservations. Low-income energy assistance for the Crow Reservation is administered through the District VII HRDC in Billings under the state LIEAP Program.

Budget Summary By Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	113,971	113,971	227,942	25.97%	24,794,600	24,794,600	49,589,200	94.40%
Statewide PL Adjustments	(35)	(38)	(73)	(0.01%)	52,547	58,321	110,868	0.21%
Other PL Adjustments	0	0	0	0.00%	1,013,000	1,013,000	2,026,000	3.86%
New Proposals	325,000	325,000	650,000	74.04%	402,006	402,034	804,040	1.53%
Total Budget	**$438,936**	**$438,933**	**$877,869**		**$26,262,153**	**$26,267,955**	**$52,530,108**	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010					Fiscal 2011				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					72,055					75,205
Vacancy Savings					(40,469)					(40,595)
Inflation/Deflation					21,026					23,776
Fixed Costs					(65)					(65)
Total Statewide Present Law Adjustments					**$52,547**					**$58,321**
DP 20015 - IHSB Present Law Increases	0.00	0	60,000	950,000	1,010,000	0.00	0	60,000	950,000	1,010,000
DP 20018 - Restore Overtime/Holidays Worked	0.00	0	0	3,000	3,000	0.00	0	0	3,000	3,000
Total Other Present Law Adjustments	**0.00**	**$0**	**$60,000**	**$953,000**	**$1,013,000**	**0.00**	**$0**	**$60,000**	**$953,000**	**$1,013,000**
Grand Total All Present Law Adjustments					**$1,065,547**					**$1,071,321**

<u>DP 20015 - IHSB Present Law Increases -</u> The executive requests an increase in federal authority of $2 million and state special revenue of $0.2 million over the biennium for anticipated increases in four federal grants and the universal systems benefits fund, which comes from consumer charges on utility bills and is passed on for energy assistance and weatherization activities. Funds support programs in the Intergovernmental Human Services Bureau (IHSB).

The funding supports low-income persons with energy assistance, weatherization, emergency shelter, housing assistance for persons with AIDS, and commodity food distribution. IHSB also administers a federal grant to provide communities with the resources to devise local solutions to problems of poverty. Ten Human Resource Development Councils (HRDCs), eight area agencies on aging, four food banks, two AIDS councils, and several tribes are contracted to assist in the local administration of these programs.

The request is for anticipated increases over the biennium in grant and benefit support of $1.8 million, contracts with non-profits of $0.2 million, and a small amount for computer hardware and office supplies.

New Proposals

New Proposals										
	Fiscal 2010					Fiscal 2011				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 20013 - IHSB Contract Monitoring and Preparation										
02	1.50	0	0	77,006	77,006	1.50	0	0	77,034	77,034
DP 20018 - Montana Hunger Reduction OTO										
02	0.00	125,000	0	0	125,000	0.00	125,000	0	0	125,000
DP 20019 - Low-Income Energy Assistance Program (LIEAP) OTO										
02	0.00	200,000	0	0	200,000	0.00	200,000	0	0	200,000
Total	**1.50**	**$325,000**	**$0**	**$77,006**	**$402,006**	**1.50**	**$325,000**	**$0**	**$77,034**	**$402,034**

DP 20013 - IHSB Contract Monitoring and Preparation - The executive requests just under $0.2 million federal fund authority over the biennium for personal services to support 1.50 FTE added for increased workload.

A modified position was added in FY 2008 following the addition of several new federal grants and non-budgeted donations over the last four years. This position now provides monitoring and technical assistance to HRDCs, tribes, and other contractors. Duties include: management functions and policy guidance to subgrantees, monitoring all aspects of subgrantee program operations, and providing training and technical assistance for eight federal grants and two donated fund programs at three HRDCs and two tribes.

A position currently funded at half time is requested to be full time because the requirements of the job were doubled when the duties of preparing, tracking, and authorizing contracts were transferred to the bureau from the department.
The position would prepare, track, and authorize contracts and contract amendments for both sections in the bureau including 177 monetary contracts with HRDCs, tribes and other contractors, and 171 non-monetary contracts for delivery of commodity food to soup kitchens, food banks, senior centers, and other facilities.

DP 20018 - Montana Hunger Reduction OTO - The Governor requests $250,000 in one-time-only general fund authority for the 2011 biennium for hunger reduction in Montana. These funds would be used to assist Montana food banks and other Montana food assistance entities to replenish food reserves and increase the availability of food to Montana residents in need due to the uncertain economy and provide increases to address the current economy.

LFD ISSUE

The Request does not Provide Sufficient Information

This request is for a new program in this bureau. The division does not provide the legislature sufficient information to discuss this new use of general fund request in light of effective government. The reader cannot tell how the funding would be mobilized and accounted for or how many entities might be assisted and where they are located.

Additionally, the reader cannot tell what planning went in to the request. The thrust of the request appears to be to enhance the volume of food reserves and provide some delivery funding on a state-wide basis. However, the division provides no justification for the $250,000 figure. The legislature cannot tell if it is enough or too much.

Prior to taking action on the request, the legislature may wish to discuss a goal with measureable objectives and a reporting timeframe. It may want to have the report provide information on the delivery of services on the county or local level as appropriate.

DP 20019 - Low-Income Energy Assistance Program (LIEAP) OTO - The executive requests $400,000 in one-time-only general fund authority for the biennium for low-income energy assistance. These funds will be used to either supplement low-income energy assistance benefits or to weatherize homes in an effort to defray heating costs for Montana families. As per the federal LIEAP set aside, Montana reservations would be eligible to access a portion of this funding.

Sub-Program Details

CHILD CARE 04

Sub-Program Proposed Budget
The following table summarizes the proposed executive budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011	Total Exec. Budget Fiscal 10-11
FTE	14.00	0.00	1.00	15.00	0.00	1.00	15.00	15.00
Personal Services	707,179	59,379	52,693	819,251	60,752	52,764	820,695	1,639,946
Operating Expenses	929,254	2,879	0	932,133	3,306	0	932,560	1,864,693
Grants	6,372,171	62,000	0	6,434,171	68,000	0	6,440,171	12,874,342
Benefits & Claims	29,560,919	1,387,321	0	30,948,240	2,913,230	0	32,474,149	63,422,389
Total Costs	**$37,569,523**	**$1,511,579**	**$52,693**	**$39,133,795**	**$3,045,288**	**$52,764**	**$40,667,575**	**$79,801,370**
General Fund	7,910,168	949,310	0	8,859,478	2,231,218	0	10,141,386	19,000,864
State/Other Special	832,584	0	0	832,584	0	0	832,584	1,665,168
Federal Special	28,826,771	562,269	52,693	29,441,733	814,070	52,764	29,693,605	59,135,338
Total Funds	**$37,569,523**	**$1,511,579**	**$52,693**	**$39,133,795**	**$3,045,288**	**$52,764**	**$40,667,575**	**$79,801,370**

Sub-Program Description
The Early Childhood Services Bureau:

- Manages the funds which pay for child care for TANF participants and low-income working families
- Contracts with 12 resource and referral agencies to administer child care eligibility, provider recruitment, and technical assistance
- Administers the Child and Adult Care Food Program, which provides reimbursement to child care providers for the cost of meals served to eligible children and adults
- Administers the Head Start State Collaboration grant
- Administers the Early Childhood Comprehensive Systems Grant
- Manages the funds which pay for quality child care initiatives including professional development

The child care services are administered by the division with support from community offices throughout the state. Child care activities are primarily funded by the federal Child Care Development Fund (CCDF) block grant. The activities are linked to the TANF requirements that states provide child care assistance to TANF families when the family is engaged in activities designed to assist the family in becoming self-sufficient. Services also include providing subsidies for low-income families, and licensing and registration of child care providers (administered by the Quality Assurance Division) and activities related to assuring quality child care. States are required to expend a minimum of 4 percent of the funding of the child care block grant on child care quality activities.

The child care block grant consists of three federal funding streams known as the mandatory, matching, and discretionary funds. The mandatory fund requires that states expend state and local funds at a minimum level known as the maintenance of effort (MOE) in order to receive the federal mandatory funds available. Montana's child care block grant MOE is $1,313,990 per year. Child care block grant MOE is unique in that it is about the only instance where state spending may count toward two federal requirements. State funds spent for child care block grant MOE may also count toward TANF MOE.

Under the child care matching funds, states are reimbursed for eligible child care expenditures at the federal medical assistance participation (FMAP) rate and must provide state and local funds to match the federal funds. Montana's FMAP rate is about 67 percent and the state share of expenses under child care matching funds is about 33 percent. Matching funds are available provided that the state both obligates all its mandatory funds by the end of the federal fiscal

year and within the same fiscal year, expends the state funds in an amount that equals the state MOE. Additionally, states may transfer a portion of the TANF grant to the child care discretionary fund. Once transferred, TANF funds take on the spending attributes and restrictions of the fund into which they were transferred.

The majority of childcare funds are expended to provide subsidies to low-income families. Montana currently provides services to families at or below 150 percent of the federal poverty level (FPL) and employs a sliding fee scale, as required by federal law to determine the parent's share of the costs. As the family income approaches 150 percent of the FPL their share of the costs increases. Once the family income exceeds 150 percent of the FPL, the family is ineligible for the program.

The Governor's Budget

In the 2011 executive present law budget, the Governor proposes an increase of $3 million general fund and $2 million in federal funds to support child care activities with:

- $3 million general fund over the biennium in general fund to support a historical caseload growth of 1.9 percent, maintain the child care at 150 percent of the federal poverty level, and maintain provider market rates at the federally required 75th percentile
- $1 million in federal funds for anticipated increases in food services supported by the Child and Adult Care Food Program (CACFP)
- $1 million of federal TANF authority to provide child care for working caretaker relatives of children eligible for the TANF grant
- $0.1 million federal funds to undertake a new federal oversight requirement of child care programs

There is further discussion of the proposals in the TANF section as well as the present law and new proposal sections of this write-up.

Budget Summary By Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	7,910,168	7,910,168	15,820,336	83.26%	37,569,523	37,569,523	75,139,046	94.16%
Statewide PL Adjustments	(11)	(12)	(23)	0.00%	62,258	64,058	126,316	0.16%
Other PL Adjustments	949,321	2,231,230	3,180,551	16.74%	1,449,321	2,981,230	4,430,551	5.55%
New Proposals	0	0	0	0.00%	52,693	52,764	105,457	0.13%
Total Budget	$8,859,478	$10,141,386	$19,000,864		$39,133,795	$40,667,575	$79,801,370	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010 FTE	Fiscal 2010 General Fund	Fiscal 2010 State Special	Fiscal 2010 Federal Special	Fiscal 2010 Total Funds	Fiscal 2011 FTE	Fiscal 2011 General Fund	Fiscal 2011 State Special	Fiscal 2011 Federal Special	Fiscal 2011 Total Funds
Personal Services					91,320					92,749
Vacancy Savings					(31,941)					(31,997)
Inflation/Deflation					2,879					3,306
Total Statewide Present Law Adjustments					**$62,258**					**$64,058**
DP 20001 - Child and Adult Care Food Program PL Adj	0.00	0	0	500,000	500,000	0.00	0	0	750,000	750,000
DP 20002 - Child Care FPI, Market Rate, Caseload, Inc.	0.00	949,321	0	0	949,321	0.00	2,231,230	0	0	2,231,230
Total Other Present Law Adjustments	**0.00**	**$949,321**	**$0**	**$500,000**	**$1,449,321**	**0.00**	**$2,231,230**	**$0**	**$750,000**	**$2,981,230**
Grand Total All Present Law Adjustments					**$1,511,579**					**$3,045,288**

DP 20001 - Child and Adult Care Food Program PL Adj - The Governor requests over $1 million in federal authority for the biennium for the Child and Adult Care Food Program (CACFP) to accommodate the historical annual reimbursement growth rate of 2.9 percent and allow continued support to maintain a stabilized level of meal service delivery which has been decreasing in family and group homes, but increasing in child care center facilities. Estimates are for 7.7 million meals annually.

DP 20002 - Child Care FPI, Market Rate, Caseload, Inc. - The executive requests over $3 million general fund over the biennium to support components of the child care match program including: 1) maintaining child care reimbursement rates for parents at the 75th percentile of the annual market rate survey; 2) maintaining eligibility at 150 percent of the current federal poverty level; and 3) maintaining caseload for low income working parents based upon the 4 year historical case growth rate for child care scholarships of 1.9 percent which yields a growth of 61cases in FY 2010 and 63 cases in FY 2011.

The table shows the request in detail.

Child Care Discretionary Present Law Request	Federal Poverty Level	Market Rate at 75th percentile	Case Growth Funds	Total
FY 2010	$236,253	$280,925	$432,144	$949,322
FY 2011	479,482	855,745	896,003	2,231,230
Total	$715,735	$1,136,670	$1,328,147	$3,180,552

New Proposals

New Proposals Sub Program	Fiscal 2010 FTE	Fiscal 2010 General Fund	Fiscal 2010 State Special	Fiscal 2010 Federal Special	Fiscal 2010 Total Funds	Fiscal 2011 FTE	Fiscal 2011 General Fund	Fiscal 2011 State Special	Fiscal 2011 Federal Special	Fiscal 2011 Total Funds
DP 20004 - Child Care Administration										
04	1.00	0	0	52,693	52,693	1.00	0	0	52,764	52,764
Total	**1.00**	**$0**	**$0**	**$52,693**	**$52,693**	**1.00**	**$0**	**$0**	**$52,764**	**$52,764**

DP 20004 - Child Care Administration - The Governor requests $0.1 million over the biennium for 1.00 FTE in child care administration as a program integrity staff person to oversee the development and management of a new, federally mandated error rate reporting process and absorb other duties in the area of program integrity such as administrative reviews and management of accounts receivable resulting from child care scholarship overpayments.

Outcomes:

- The number of errors in determining subsidies will be decreased, limiting the state's liability in this area
- Staff workloads will be redistributed for increased efficiency and ability to provide better customer service to the child care reference and referral network, child care providers, parents and the public
- Administrative reviews could be conducted in a more timely fashion

Program Budget Comparison
The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	375.45	375.45	380.45	380.45	375.45	380.45	5.00	1.33%
Personal Services	16,418,985	17,724,120	19,717,107	19,778,929	34,143,105	39,496,036	5,352,931	15.68%
Operating Expenses	4,929,805	4,746,162	5,894,331	5,686,569	9,675,967	11,580,900	1,904,933	19.69%
Equipment & Intangible Assets	20,790	25,000	70,790	20,790	45,790	91,580	45,790	100.00%
Grants	5,090,365	6,630,882	6,357,506	6,355,806	11,721,247	12,713,312	992,065	8.46%
Benefits & Claims	29,420,205	36,261,829	33,545,525	35,462,342	65,682,034	69,007,867	3,325,833	5.06%
Transfers	0	0	0	0	0	0	0	n/a
Debt Service	118,349	146,955	118,349	118,349	265,304	236,698	(28,606)	(10.78%)
Total Costs	**$55,998,499**	**$65,534,948**	**$65,703,608**	**$67,422,785**	**$121,533,447**	**$133,126,393**	**$11,592,946**	**9.54%**
General Fund	28,708,419	31,658,802	35,057,129	35,958,748	60,367,221	71,015,877	10,648,656	17.64%
State Special	2,464,613	2,421,269	2,507,540	2,507,539	4,885,882	5,015,079	129,197	2.64%
Federal Special	24,825,467	31,454,877	28,138,939	28,956,498	56,280,344	57,095,437	815,093	1.45%
Total Funds	**$55,998,499**	**$65,534,948**	**$65,703,608**	**$67,422,785**	**$121,533,447**	**$133,126,393**	**$11,592,946**	**9.54%**

Program Description
Mission statement: The mission of the Child and Family Services Division is keeping children safe and families strong.

The Child and Family Services Division (CFSD) administers child protective services, child abuse and neglect services, prevention services, domestic violence grants, and other programs designed to keep children safe and families strong. CFSD is composed of two bureaus and five regional offices that administer programs and are advised by Local Family Services Advisory Councils, which serve as the link between local communities and DPHHS. CFSD is the primary user of the statewide Child and Adult Protective Services (CAPS) computer system.

Statutory authority for the program is provided in Titles 41, 42, and 52, MCA, and 45 CFR, Parts 1355, 1356, 1357 and 1370.

Program Highlights

Child and Family Services Division
Major Budget Highlights

- The $133 million 2011 biennium budget is $11 million greater than the 2009 biennium budget due to:
  - Statewide present law adjustments
  - On-going infrastructure support such as rent, leased vehicles, and employee health insurance
  - Anticipated expenditure increases for foster care and subsidized adoption services, provider rate increases, and Tribal contracts
  - A funding switch due to federal changes in Medicaid reimbursements for therapeutic group homes
- The $133 million biennium budget contains $82 million in benefits and grants, which include an executive request for over $4 million general fund for foster care and subsidized adoption caseload increases
- The division's 2009 biennium goals are on track

Major LFD Issues

- The division 2011 biennium goals should include measurable objectives

Program Narrative

Goals and Objectives:

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the Legislative Fiscal Division recommends that the legislature review the following:

- o Goals, objectives and year-to-date outcomes from the 2009 biennium
- o Goals and objectives and their correlation to the 2011 biennium budget request

Any issues related to goals and objectives raised by LFD staff are located in the program section.

2009 Biennium Major Goals:

The following provides an update of the major goals monitored during the 2009 interim.

- o Goal 1: Ensure the Well Being of children in foster care
  - Objective: Improve social worker face-to-face contact with children in care
  - Measurement: Social worker face-to-face contact with children will improve 5 percent by the end of FY 2009 from the FY 2007 baseline of 40 percent
- o Goal 2: Ensuring timely permanency for children
  - Objective: Determine if concerted efforts were made, or are being made to achieve a finalized adoption in a timely manner
  - Measurement: Documentation of diligent efforts to achieve timeliness of adoption will improve 5 percent by the end of FY 2009 over the FY 2007 baseline of 52.9 percent and progress in meeting this goal will be measured by manually reviewing 75 case files for compliance every six months
- o Goal 3: Ensuring that children are safe
  - Objective: Improve the timeliness of initiating investigations
  - Measurement: Timeliness of initiating investigations will improve 10 percent by the end of FY 2009 from the established baseline data of 54.2 percent and progress in meeting this goal will be measured by manually reviewing 75 case files for compliance every six months

The division met or exceeded its goals for the 2009 interim and was determined to be on track by the Legislative Finance Committee's workgroup on performance measurements.

2011 Biennium Major Goals:

The following provides an overview of major goals for the 2011 biennium as provided in the division budget. The LFD recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim.

Goal: Improve the safety, permanency, and well-being of children who are reported to be at risk of or being abused or neglected.

Objectives:

- o Safety: After investigation, safely maintain the children in their homes when ever possible and appropriate
- o Permanency: After removal, establish and achieve appropriate permanency goals for children in a timely manner
- o Well-being: While in foster care, maintain the child's connections with birth parents and siblings

Measurements:

- o On an on-going basis, review randomly selected cases to assess whether appropriate services were provided to safely maintain the child in the home and prevent removal
- o Increase the number of children achieving permanency

- On an on-going basis, review randomly selected cases to assess if concerted efforts were made to maintain the familial connections

LFD COMMENT

The Goals Do Not Contain Baseline Information

In order to for the legislature to discuss the division's budget in the light of efficient and effective government and formulate an appropriations policy for the division, goals should have a baseline against which the legislature can measure the division's achievements. These goals do not help the legislature understand the need for or impact of the resources CFSD has requested because there are no baseline comparisons, no time frames beyond "on-going", and no outcomes or milestones to indicate when progress reports would be provided, or the intended outcomes achieved. The legislature cannot tell if the division intends to address the data garnered from its measurements, or when it might do so.

Additionally, the support services or programs are provided by staff working throughout the state as well as by contracted providers. The goals and measurements as provided do not reference the leaders and partners undertaking the task and therefore do not provide the legislature an opportunity to understand: 1) if there are partners involved in delivering any of the services; or 2) if funds and/or programs are adequately or equally run on the county, regional, or local fronts.

This baseline data should be available because the funding attached to the goals comes with federal regulations for evaluation and compliance based upon positive outcome performance measures. Additionally, all states also undergo congressionally authorized reviews of state child welfare systems that focus on evaluation and compliance based upon positive outcome performance measures for children in the areas of safety, permanency, and well-being. CFSD tracks data for the reviews and should have baseline information for the 2011 goals as they did for the 2009 goals.

The division should be able to provide a summary of regional data for both CFSD offices and the contracted providers that are participating in the delivery of services, and the achievements made at a regional or county level.

Goals Should Address Quality and Quantity of Services

The goals, objectives and measurements do show the legislature that there is service policy beyond the numbers of children or families served. However, there needs to be a link from the amount of requested resources to the number of individuals served or the quality of the services that would be provided. The division's goals should help the legislature understand the accountability of the division to the state for the quality of help and guidance applicants receive as they enter and navigate the system - whether the service is provided by state staff or contracted providers.

Options

The legislature may wish to consider:

- Having a discussion with the division on how its goals and objectives might be improved, measure both quality and quantity of services, and when appropriate, allow the legislature to understand the achievements made from expending resources at a county, regional, or local level
- Having the division report on all three goals, objectives, and newly benchmarked measurements to the Legislative Finance Committee during the 2011 interim

There are additional discussions and recommendations for goals and objectives in the following sections of the program narrative.

The Executive Budget Request – A Biennial Comparison

As shown in the program proposed budget, the $133 million 2011 biennium budget presented by the executive increases the 2009 biennium budget by over $11 million, nearly all of which is general fund. However, the executive's budget request actually includes increases to the FY2008 base budget of over $21 million, an increase of about $10 million for

FY 2010 and $11 million for FY 2011. The difference between the request and the table exists in two parts.

The first difference is in the FY 2008 actual expenditures and the FY 2009 appropriation from the 2007 Legislature. The 2007 Legislature approved a budget request that proved to be above the need of the division in FY 2008. In FY 2008 the division:

- Reverted over $5 million
- Had one-time-only appropriations of over $4 million
- Transferred about $1 million to address the reorganization of the child care payments to the Human and Community Services Division and to the director's office for employee payouts

This $10 million difference is not taken out of the 2009 biennium total skewing the biennial comparison.

The second difference exists in the benefits and claims and grants categories where there is a difference of over $11 million between the appropriations provided by the 2007 Legislature and the actual FY 2008 expenditures for benefits and grants ($9 million) and personal services ($2 million)

The $21 million total fund increase from the FY2008 base requested by the executive supports:

- $6 million in personal services adjustments (including $0.4 million for new FTE). There is further discussion in the personal services section of this narrative
- Close to $2 million of increases in operating expenses that are primarily due to the Governor's request for:
  - Rent and relocation increases for CFSD's 39 local offices as well as rent increases for Department of Administration buildings (nearly $2 million)
  - Liability insurance for foster care parents ($0.1 million)
- About $13 million in benefits and grants to address the foster care and subsidized adoptions caseload and related services including Tribal contracts and provider rates

LFD ISSUE

An Increase to the Base was made During the Interim

The division received a program transfer of $0.5 million general fund in FY 2008 from the general fund appropriation for Senior and Long Term Care benefits that was available due to lower that anticipated Medicaid benefits costs.

Program transfers are legal changes that can be done under the authority of the Governor's Office of Budget and Program Planning, although transfers meeting a statutory threshold must be reviewed by the Legislative Finance Committee before approval. The transfer did not meet the statutory threshold.

This transfer was made because of fiscal year end timing and was not intended for program development or expansion. The funds were primarily used to support year-end accruals and payment vouchers for foster care benefits with $35,000 used for administration and $10,000 for the domestic violence program. At the close of FY 2008, the division reverted $440,000 general fund. However, there is still $65,000 in the base.

LFD brings this issue to legislative attention only because the transfer slightly expands the base in this division without legislative discussion of the programmatic or operational needs supported by the added funds. There is additional agency-wide information in the agency summary section at the beginning of this volume

Summary of Benefits and Grants

The combined funds of foster care and subsidized adoption comprise 98.8 percent of the benefit and claims costs of the division. The costs and funding of benefits and claims, and a list the grants for FY 2008 and the 2011 biennium, are summarized in Figure 20 on the following page. Grants for tribal contracts comprise 29 percent of that category, followed closely by in-home and reunification services at 28.3 percent. Funding for Tribal contracts is used to reimburse tribes for Title IV-E allowable administrative costs of their child welfare programs.

Figure 20
Child and Family Services Division
Summary of Benefit and Grant Costs and Funding

	Fiscal 2008 Base				Fiscal 2010 Requested				Fiscal 2011 Requested				
rogram	General Fund	State Spec. Rev	Federal Funds	Total Funds	General Fund	State Spec. Rev	Federal Funds	Total Funds	General Fund	State Spec. Rev	Federal Funds	Total Funds	Percent Total
ienefits & Claims													
Foster Care	$9,576,269	$2,311,037	$5,992,721	$17,880,027	$11,009,125	$2,311,054	$6,280,546	$19,600,725	$11,372,894	$2,311,058	$6,531,984	$20,215,936	57 0%
Subsidized Adoption	4,920,161	-	6,185,155	11,105,316	6,136,655	-	7,373,283	13,509,938	6,801,913	-	8,009,631	14,811,544	41.8%
Chafee-Skills for Adulthood	-		92,442	92,442	-	-	92,442	92,442	-	-	92,442	92,442	0.3%
Big Brothers and Sisters	90,006			90,006	90,006			90,006	90,006			90,006	0.3%
In home and Reunification	$123,706	$0	$128,699	$252,405	$123,678	$0	$128,727	$252,405	$123,678	$0	$128,727	$252,405	0.7%
Total Benefits & Claims	$14,710,142	$2,311,037	$12,399,017	$29,420,205	$17,359,464	$2,311,054	$13,874,998	$33,545,525	$18,388,491	$2,311,058	$14,762,784	$35,462,342	100.0%
Percent of Total	50.0%	7.9%	42.1%	100.0%	51.7%	6.9%	41.4%	100.0%	51.9%	6.5%	41 6%	100.0%	
irants													
Access and Visitation	$10,697	$0	$105,914	$116,611	$10,697	$0	$105,914	$116,611	$10,697	$0	$105,914	$116,611	1.8%
Tribal Contracts	114,409	-	515,271	629,680	341,409	-	1,502,271	1,843,680	341,409	-	1,502,271	1,843,680	29 0%
IV-E Pass Through	-	-	713,370	713,370	-	-	713,370	713,370	-	-	713,370	713,370	11.2%
Children's Trust Fund		44,920		44,920	-	44,920		44,920	-	44,920		44,920	0.7%
Chafee-Skills for Adulthood			425,544	425,544			425,544	425,544			425,544	425,544	6.7%
Chafee - Independent Living	-	-	192,759	192,759	-	-	192,759	192,759	-	-	192,759	192,759	3.0%
Community Based Challenge	-	-	188,232	188,232	-	-	188,232	188,232	-	-	188,232	188,232	3.0%
Services for Transitional Kids	-	-	-	-	-	39,261	13,880	53,141	-	38,005	13,436	51,441	0 8%
Domestic Violence	121,106	87,385	770,887	979,378	121,098	87,379	770,901	979,378	121,098	87,379	770,902	979,378	15.4%
In-home & Reunification	882,130	-	917,741	1,799,871	881,935	-	917,936	1,799,871	881,935	-	917,936	1,799,871	28.3%
Total Grants	$1,128,343	$132,305	$3,829,718	$5,090,365	$1,355,139	$171,560	$4,830,807	$6,357,506	$1,355,139	$170,304	$4,830,363	$6,355,806	100 0%
Percent of Total	22.2%	2.6%	75.2%	100.0%	21.3%	2.7%	76.0%	100.0%	21.3%	2.7%	76.0%	100.0%	

The Children's Trust Fund listed in the grant category serves Montana's limited prevention and early intervention services. Although its funds are generally outside of HB2, the trust fund is administratively attached to the department and is primarily funded from the Montana income tax check off, divorce filing fees, and the community-based child abuse prevention grant. State and federal mandates guide trust money to support nonprofit, community-based organizations that provide services and activities dedicated to preventing child abuse and neglect statewide, and focuses on programs that work with children between birth and 5 years of age. Funds from the trust are used as match for the federal community based resource grant. The $44,920 listed is for a grant to be managed by the trust advisory committee.

The Governor's Proposals

As mentioned in the biennial budget discussion, the Governor's $133 million 2011 biennium budget includes about $69 million to support the foster care and subsidized adoption client caseload and grant funding of about $13 million is for programs that support efforts to keep families together and free of violence. Over $39 million funds personal services costs for 380.45 FTE. The following is a brief overview of the executive budget request. There is additional information in the present law and new proposal sections of the program narrative.

<u>Caseload</u>

Nearly all of the $69 million in benefit and claims funding addresses foster care and subsidized adoption. The Governor proposes increases of:

- Nearly $3 million total funds (over $1 million general fund) over the biennium to support an estimated increase in the foster care caseload of 3.0 percent
- Over $6 million total funds (nearly $3 million general fund) for an estimated increase in the subsidized adoption caseload of 10.0 percent

LFD staff estimates vary slightly, showing a potential need for an additional $0.5 million over the biennium for subsidized adoption and a decrease to the division's estimate for foster care of $0.8 million. The historical increases in the number of foster care and subsidized adoption clients and related costs are shown in Figures 21 and 22.

Figure 21

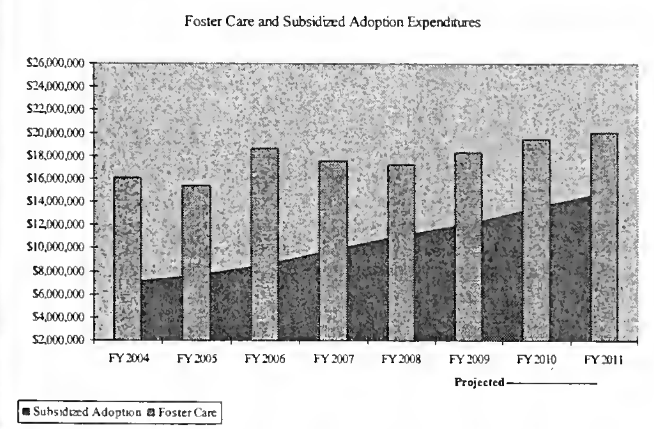
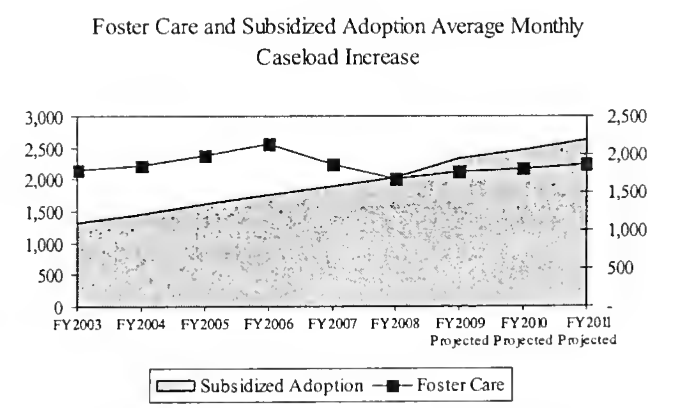


Figure 22



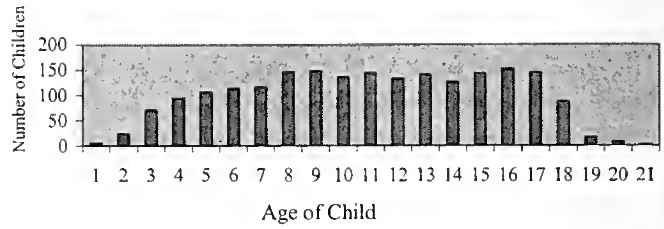
- While caseloads can fluctuate during a single year or over a biennium, foster care and subsidized adoption expenditures are projected to steadily increase. Factors that can influence increased caseload and expenditures include:
- Alcohol and substance abuse, which has increased the difficulty of family reunification as children are faced with longer out-of-home placement while families learn to manage addictive behavior
- Children born under the influence of drugs or alcohol may show increased levels of disability and consequentially increased likelihood for subsidized adoption

- The number of new subsidized adoptions for children with special needs presently exceeds the number of children aging out of the program
- New subsidized adoption contracts are generally negotiated at a higher reimbursement rate than earlier contracts
- Provider rate increases

Figure 23 shows the age of children in the subsidized adoption program as of June 2008.

Figure 23

Subsidized Adoptions
June 2008



Grants

Grant funding of about $13 million over the 2011 biennium is for programs that support efforts to keep families together and free of violence. Services are delivered by CFSD staff and contracted providers.

The major increase proposed by the Governor in the grant category is for over $2 million in Title IV-E (foster care) pass through grants to reimburse tribes for allowable administrative costs of their child welfare programs.

Staff

Funding for staff includes:

- $2 million for 18.00 FTE in the centralized intake unit that receive the initial calls reporting suspected abuse, neglect, or abandonment
- $32 million for 311.60 FTE working in the five regions of Helena, Miles City, Billings, Great Falls, and Missoula that investigate the reports of child abuse and neglect, work to prevent domestic violence and develop family reunification, as well as finding placements in foster or adoptive homes and licensing foster and adoptive homes across Montana
- $5 million for 45.85 FTE that are responsible for Title IV-E (foster care and subsidized adoption) eligibility determination, administering grants and related programs, financial and policy functions, and support of field staff in a myriad of areas including guardianship, independent living, Tribal contracts, and Indian child welfare

Of the total FTE, about 226 are social workers delivering services.

The Governor proposes about $0.4 million for 5.00 new FTE and an additional $0.1 million for contracted services to assist SSI youth in transition out of foster care services. There is additional information in the personal services and new proposal sections of the narrative.

Other Areas that Could Impact CFSD

Federal Reviews

As mentioned earlier in the goals and objective discussion, Congress implemented the federal Child and Family Services Reviews to address the provision of protective services nationwide. The reviews require a self-assessment and an on-site visit to three locations to determine whether the state agency is achieving positive outcome performance for children in the areas of safety, permanency, and well-being. During the summer of 2008 CFSD underwent its second review, which was to evaluate performance relative to the state's provision of child and family services to children and families. While CFSD has received only a preliminary report, in all three areas of safety, permanency, and well-being there are indicators that Montana is ahead of the national standard on some outcomes and other outcomes where improvement is needed. Upon receiving the final report, CFSD will develop an improvement plan with targets and timelines covering the next two or three years. Should CFSD fail to meet the targets it could be assessed a penalty.

The division does not know when it will receive the federal recommendations, but will report on the review to the Joint Appropriations Health and Human Services Subcommittee, so the early recommendations will not be discussed in this narrative. The division anticipates receipt of the final report sometime in the spring of 2009.

LFD ISSUE

Outcomes, the Federal Review, and the Division's Goals

As mentioned in the goals and objectives section, goals should have a baseline against which the legislature can measure the division's achievements. It is also helpful if objectives measure both the quantity and quality of the outcomes.

Following the CFSD update on the federal review, the legislature may wish to consider visiting with the division about including baseline data from the review in its goals and objectives that would reflect, where possible, both quality and quantity of the division's objectives that were submitted with its budget:

- Safety: After investigation, safely maintain the children in their homes when ever possible and appropriate
- Permanency: After removal, establish and achieve appropriate permanency goals for children in a timely manner
- Well-being: While in foster care, maintain the child's connections with birth parents and siblings

The division also undergoes reviews of the federal Title IV-E eligibility compliance. It its 2003 review some issues were noted and CFSD developed a corrective plan that led to a compliance rate in the 2006 review of 99.3 percent compared with a compliance rate of 63.7 percent in the 2003 review. The 2009 review is scheduled for summer 2009.

The Children, Families, Health and Human Services Interim Committee Mental Health Services Study

The legislature funded a study of mental health services in Montana. The study was managed by the Children, Families, Health, and Human Services Interim Committee. One of the findings of the study published in October 2008, just prior to the session, was that some mental health services for children in foster care that are funded entirely by the general fund could be funded by Medicaid, reducing the general fund outlay for such services by about 70 percent.

LFD COMMENT

The legislature could request an update on what DPHHS and/or CFSD have done to implement the study finding, what types of services could be funded by Medicaid instead of general fund, and what the estimated general fund cost savings would be by year during the 2011 biennium for CFSD.

The Montana Automated Child Welfare Information System (MACWIS)

Another area subject to federal rules is the division's major information systems. The 2007 Legislature approved long-range information technology funding (IT) for MACWIS (formerly called CAPS), the automated social services information system covering all major program areas of child and adult protective services and juvenile corrections including case management and billing or payment processing functions. The funds were needed to bring the system up to federal standards as well as to update the aging system. There is also a $2 million project to update the Adoptions and Foster Care Analysis and Reporting System (AFCARS) as mandated by federal regulation. As of November 2008, the AFCARS project is projected to be completed during the 2011 biennium.

Both systems are managed, maintained, and supported by the Technical Services Division (TSD) of this department and the related funding is contained in the TSD budget. However CFSD participates as a client in the process.

LFD ISSUE

Long-Range Projects Can Impact the Division's HB 2 Budget

The legislature may wish to have the division discuss with the Joint Appropriations Subcommittee for Health and Human Services the costs that could impact this and future legislatures such as:

- The impact of participating as a client in the process for such things as the length of time that may be spent by staff gathering information, out of office time for system design meetings, staff training, and system testing that could need augmentation from "fill-in" staff
- The cost of providing training to social workers

Funding

The following table shows funding by source for the base year and for the 2007 biennium as recommended by the executive.

Program Funding Table
Child & Family Services

Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	$ 28,708,419	51.3%	$ 35,057,129	53.4%	$ 35,958,748	53.3%
01100 General Fund	28,708,419	51.3%	35,057,129	53.4%	35,958,748	53.3%
02000 Total State Special Funds	2,464,613	4.4%	2,507,540	3.8%	2,507,539	3.7%
02089 Child Abuse & Neglect Program	44,920	0.1%	-	-	-	-
02209 Third Party Contributions-F.C.	2,319,190	4.1%	2,411,171	3.7%	2,411,171	3.6%
02376 02 Indirect Activity Prog 03	4,130	0.0%	-	-	-	-
02473 Assault Intervention & Trtmnt	87,671	0.2%	87,669	0.1%	87,669	0.1%
02483 Adoption Services / Sa	-	-	-	-	-	-
02496 Family Preservation Conference	8,702	0.0%	8,700	0.0%	8,699	0.0%
02561 6901-Family Drug Court	-	-	-	-	-	-
03000 Total Federal Special Funds	24,825,467	44.3%	28,138,939	42.8%	28,956,498	42.9%
03103 Tanf Administration	-	-	-	-	-	-
03109 Tanf Benefits	2,145,245	3.8%	2,137,822	3.3%	2,137,822	3.2%
03185 Caseworker Visits	-	-	-	-	-	-
03224 Access & Visitation Grt 93.597	105,914	0.2%	105,914	0.2%	105,914	0.2%
03458 6901 - Chafee - Etv 93.599	192,759	0.3%	192,759	0.3%	192,759	0.3%
03522 93.556 - Family Preservation	1,116,028	2.0%	1,078,162	1.6%	1,078,240	1.6%
03526 93.643 - Child Justice	101,761	0.2%	101,769	0.2%	101,770	0.2%
03527 93.645 - Iv-B Cws	-	-	-	-	-	-
03530 6901-Foster Care 93.658	5,757,221	10.3%	7,070,269	10.8%	7,321,699	10.9%
03531 6901-Subsidized Adopt 93.659	6,216,025	11.1%	7,409,047	11.3%	8,047,329	11.9%
03532 93.669 - Child Abuse	96,093	0.2%	96,506	0.1%	96,561	0.1%
03533 93.671 - Domestic Violence	773,413	1.4%	773,460	1.2%	773,463	1.1%
03534 93.672 - Child Abuse Challenge	201,898	0.4%	201,994	0.3%	202,003	0.3%
03536 93.674 - Iv-E Independent Livi	567,346	1.0%	538,819	0.8%	539,945	0.8%
03579 93.667 - Ssbg - Benefits	-	-	-	-	-	-
03580 6901-93.778 - Med Adm 50%	-	-	-	-	-	-
03593 03 Indirect Activity Prog 03	7,551,764	13.5%	8,432,418	12.8%	8,358,993	12.4%
03964 Adoption Incentive Funds	-	-	-	-	-	-
Grand Total	$ 55,998,499	100.0%	$ 65,703,608	100.0%	$ 67,422,785	100.0%

This division is funded from a variety of sources, and the funding and federal matching rates vary by function. Some costs are allocated among funding sources through a complex federally approved cost allocation plan that considers such factors as the results of a random moment in time study of social worker time spent on various activities.

General fund comprises 53.3 percent of the budget, with most used as matching funds to draw federal funds. Federal foster care and adoption subsidy funds comprise 22.8 percent, and federal funds obtained through the cost allocation process comprise 12.4 percent. The only major activity of the division that is supported entirely by the general fund is the centralized intake function.

State special revenue is primarily due to the cost of foster care from a wide variety of third party contributions such as parental payments, collections from child support enforcement for children in foster care, and supplemental security income (SSI) for eligible children.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	28,708,419	28,708,419	57,416,838	80.85%	55,998,499	55,998,499	111,996,998	84.13%
Statewide PL Adjustments	2,582,709	2,628,520	5,211,229	7.34%	2,874,346	2,947,100	5,821,446	4.37%
Other PL Adjustments	2,872,725	3,697,140	6,569,865	9.25%	5,897,003	7,500,028	13,397,031	10.06%
New Proposals	893,276	924,669	1,817,945	2.56%	933,760	977,158	1,910,918	1.44%
Total Budget	**$35,057,129**	**$35,958,748**	**$71,015,877**		**$65,703,608**	**$67,422,785**	**$133,126,393**	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010					Fiscal 2011				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					3,634,024					3,696,621
Vacancy Savings					(802,115)					(804,615)
Inflation/Deflation					96,119					106,743
Fixed Costs					(53,682)					(51,649)
Total Statewide Present Law Adjustments					**$2,874,346**					**$2,947,100**
DP 30002 - FMAP Rate Decrease - Subsidized Adoption	0.00	110,368	0	(110,368)	0	0.00	176,887	0	(176,887)	0
DP 30003 - FMAP Rate Decrease - Foster Care	0.00	49,013	0	(49,013)	0	0.00	71,595	0	(71,595)	0
DP 30006 - Foster Care Caseload Increase	0.00	582,082	0	495,848	1,077,930	0.00	886,285	0	754,983	1,641,268
DP 30007 - Subsidized Adoption Caseload Increase	0.00	1,106,126	0	1,298,496	2,404,622	0.00	1,704,865	0	2,001,363	3,706,228
DP 30008 - Rent Increases/New Office Moves/Move Costs	0.00	571,156	0	321,275	892,431	0.00	403,528	0	226,984	630,512
DP 30019 - Restore Overtime/Holidays Worked	0.00	162,322	0	81,040	243,362	0.00	162,322	0	81,040	243,362
DP 30020 - Annualization of Tribal General Fund	0.00	227,000	0	987,000	1,214,000	0.00	227,000	0	987,000	1,214,000
DP 30025 - Liability Insurance	0.00	64,658	0	0	64,658	0.00	64,658	0	0	64,658
Total Other Present Law Adjustments	**0.00**	**$2,872,725**	**$0**	**$3,024,278**	**$5,897,003**	**0.00**	**$3,697,140**	**$0**	**$3,802,888**	**$7,500,028**
Grand Total All Present Law Adjustments					**$8,771,349**					**$10,447,128**

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- **Market Rate** - The division expects to be at 95 percent of market after implementing the legislatively approved pay raises in October 2008. The agency expectation is 92 percent. CFSD maintains pay exceptions for the centralized intake unit, family resource specialists, and child protective services workers, as described in greater detail in the vacancy discussion below. Exceptions are also made on a case-by-case basis when there are no applications or unqualified applicants for an advertised vacant position or to retain a valued employee that has been offered another position. CFSD has attempted to equalize the pay inequities for positions such as budget analysts or financial managers that are paid more in other divisions.

- **Vacancy** - CFSD experiences high turnover in several occupations including child protection specialists (CPS), program officers, SSI specialists and centralized intake (CI). This is primarily due to: 1) jobs that are demanding, highly stressful, and overwhelm new hires; 2) competition with other entities offering equal positions that are less stressful with better pay; 3) difficult recruitment and retention in very rural areas; and 4) the 24/7 nature of centralized intake unit. CFSD efforts to improve recruitment and retention include union negotiations to improve wages while maintaining current market ratios and a negotiated pay differential for the late hour and weekend shifts, and providing workers in a difficult-to-retain location (Big Horn County) who reside in Billings with a state-owned vehicle so they would not have to use their own vehicle. High vacancy rates and the inability to fill certain positions have resulted in significant overtime costs, and in rural areas makes it difficult for the division to meet statutory timelines and policies. Turnover also results in foster parents and children in foster care having multiple caseworkers and leading to a lack of continuity in case management.
- **Legislatively applied vacancy savings** – CFSD requires most positions to be vacant for a minimum of 30 days after the employee's payout had been completed. Exceptions to this can be made on a case-by-case basis. High turnover caused the division to exceed the 4 percent vacancy savings rate.
- **Pay Changes** - The only significant pay increase that was made for a category of employees was for the Family Resource Specialists. CFSD settled a longstanding classification appeal in April, 2007 in order to avoid extended litigation. The settlement was retroactive to January, 2007 and it affected approximately 25 employees. The only other pay exceptions were for employees based on either performance or the strong desire to retain certain employees. The increases in costs were funded within the existing personal services budget.
- **Retirements** – CFSD will have 187 employees (48 percent of total program workforce) eligible for retirement in the 2011 Biennium. Based on current trends and projections the division estimates that 20 employees will retire with an anticipated compensated absence liability of $162,960. The division is concerned about the planned and potential retirements of several staff members and is taking steps for knowledge sharing and cross training.

Statewide Present Law Personal Services

The 2007 Legislature appropriated $3.6 million general fund for the 2009 biennium to address a shift from federal revenue to the general fund created by the Deficit Reduction Act of 2005 (DRA). The federal funds were eliminated by the DRA through termination of certain targeted case management programs when other programs have some financial responsibility. The 2007 Legislature designated most DPHHS appropriations that were related to the DRA as one-time-only (OTO) and/or restricted because of the uncertain status of DRA discussions in Congress at that time. This appropriation was no exception. Therefore, the general fund was removed from the base and now appears in the statewide present law category of personal services for legislative consideration. Of the $3.6 million listed each year on the personal services line, $1.8 million is to reinstate the OTO and $1.8 million is for the alignment of salaries to 80 percent of market, statutory pay increases, the pay plan adopted by the legislature, benefits and longevity for existing staff, and replacement of funding for vacant positions

LFD ISSUE

The Past Two Legislatures Have Addressed Staffing Issues

Vacancies, staff retention, and the need for additional staff has been a reoccurring theme of the division. Both the 2005 and 2007 Legislatures worked to address CFSD staffing. The 2005 Legislature intended that CFSD use a reduction in vacancy savings from 4 percent to 2 percent to help fill field staff positions. The 2007 Legislature appropriated $1.7 million ($1.0 million of general fund) for 20 new FTE. There have been prior legislative attempts to provide the division additional legal help to address time-related issues involving CFSD's attempt to provide services that involve CFSD, the families, and the courts.

The 2009 Legislature is also asked to address staffing issues through the personal services discussion provided by the division and the budget requests of the Governor. The Governor requests just over $0.4 million for 5.00 new FTE and $0.1 million for contracted services to augment existing staff work.

LFD ISSUE (CONT.)

Additionally, as mentioned earlier, the goals, objectives, and measurements should provide a link from the amount of requested resources to the quality of the services that would be provided. As a means to obtain a full picture of staff and contracted provider services the legislature may wish to consider:

- Discussing the division's staffing plan to address staff recruitment, training, and retention
- Having a discussion about the development of goals and objectives that would address the recruitment and retention issues, and when appropriate, measure both quality and quantity of services and allow the legislature to understand the achievements made a county, regional, or local level

Present Law Requests

DP 30002 - FMAP Rate Decrease - Subsidized Adoption - The Governor requests $287,255 in general fund and a negative $287,255 in federal funds for the 2011 biennium to address changes in the FMAP rate for subsidized adoption. The FMAP rate will decrease from 68.53 percent in FY 2008 to 67.42 percent in FY 2010 and 66.99 percent in FY 2011. The FMAP rate change will result in an increase in general fund of $110,368 in FY 2010 and $176,887 in FY 2011.

DP 30003 - FMAP Rate Decrease - Foster Care - The Governor is requests $120,608 in general fund and a negative $120,608 in federal funds for the 2011 biennium to address changes in the FMAP rate for foster care. The FMAP rate will decrease from 68.53 percent in FY 2008 to 67.42 percent in FY 2010 and 66.99 percent in FY 2011. The FMAP rate change will result in an increase in general fund of $49,013 in FY 2010 and $71,595 in FY 2011.

DP 30006 - Foster Care Caseload Increase - The executive requests a foster care caseload increase of $1,468,367 general fund and $1,250,831 federal funds for the 2011 Biennium. This request is to increase the foster care program by 3 percent per year to account for a projected increase in the caseload.

LFD COMMENT

As mentioned earlier LFD staff projections for foster care are about $0.4 million lower than the division's estimates for both FY 2010 and FY 2011. Historically, the average annual rate of increase in the number of unduplicated clients receiving foster care services has been 1.9 percent between FY1996 and FY 2008. The average annual rate of increase for expenditures for the same timeframe has been 2.8 percent. Carrying these projections through FY 2009 and accounting for the division's provider rate increases, LFD staff estimates $19.2 million for FY 2010 and $19.6 million for FY 2011, compared to the division's $19.6 million and $20 million.

DP 30007 - Subsidized Adoption Caseload Increase - The Governor requests a subsidized adoption caseload increase of $2,810,991 general fund and $3,299,859 federal funds for the 2011 biennium. This request is to increase the subsidized adoption program by approximately 10 percent per year to account for a projected increase in the caseload. Projected caseload increases include: 10.4 percent from FY 2008 to FY 2009; 10.2 percent from FY 2009 to FY 2010, and; 9.6 percent from FY 2010 to FY 2011.

LFD COMMENT

As mentioned earlier, LFD staff projections for subsidized adoption are about $0.2 million higher than the division's estimates for FY 2010 and $0.3 million higher for FY 2011. Historically, the average annual rate of increase in the number of unduplicated clients receiving subsidized adoptions services has been 14.1 percent between FY1996 and FY 2008. The average annual rate of increase for expenditures for the same timeframe has been 18.8 percent. Carrying the projections into the 2011 biennium, staff projects $13.7 million in FY 2010 and $15.1 in FY 2011 compared to the division's $13.5 and $14.8.

DP 30008 - Rent Increases/New Office Moves/Move Costs - The Governor requests $974,684 of general fund and $548,259 in federal funds for the 2011 biennium to support rent increases and costs for relocation. The funding split is estimated at 64 percent general fund and 36 percent federal funds.

Two of CSFD's bigger offices face significant increases in the lease agreements. The Helena regional and state office would move to a new building that is being built. The Bozeman office is also relocating.

LFD ISSUE

A portion of the increase in rent is for staff scheduled to move to a new building that is not yet built. Some of the staff members are located in the Helena city/county building and could possibly have to move whether there is a new building or not because the lease may not be renewed.

As shown in Figure 24, there is nearly $0.2 million for office furniture and relocation / telephone costs of more than $60,000.

Both of these amounts should be needed only once and should not be continued in the base year, and depending upon completion of the new building, may not be needed as all.

Figure 24
Child and Family Services Division Rent Detail

	FY 2008	FY 2009
Rent/Non-State Bldgs.	$577,981	$630,512
Relocation Costs (103 at $350)	36,050	0
Purchase and Install 103 Telephone Jacks at $300	30,900	0
New Furniture for 79.00 FTE at $2,500	197,500	0
	$842,431	$630,512

The legislature may wish to:

- Consider making the amounts one-time-only appropriations so they would be removed from the FY 2010 base
- Consider restricting the amounts so funding could not be used for other things if they are unused or not needed in their entirety

DP 30019 - Restore Overtime/Holidays Worked - The Governor requests $324,644 in general fund and $162,080 in federal funds for the 2011 biennium to reinstate overtime compensation that was primarily earned by social workers called out at night or are required to work additional hours due to staff shortages. Overtime is not included in the "snapshot" for personal services and the funds must be requested.

DP 30020 - Annualization of Tribal General Fund - The executive requests $227,000 of general fund and $987,000 of federal funds for each year of the 2011 biennium for renegotiated contracts with tribal entities for FY2008. CFSD renegotiated new Title IV-E foster care contracts with the tribes for FY 2008. Many of theses contracts were not signed until January 2008 and some of the contracted funds were not able to be used. Additionally, expenditures for the Tribal contracts were significantly lower in FY 2008 than in prior years because of the length of time it took to renegotiate the contracts and implementation delays with the new contracts. The funds requested would allow CFSD to maintain the historical funding levels for the Tribal IV-E contracts. The executive requests $227,000 of general fund and $987,000 of federal funds for each year of the 2011 biennium for renegotiated contracts with tribal entities for FY2008.

DP 30025 - Liability Insurance - The executive requests $64,658 in general fund authority each year of the biennium to purchase liability insurance for foster parents providing foster care or therapeutic foster care for youths under 18 years of age. Funding was authorized thorough HB 57 of the 2007 Legislature rather than HB 2.

New Proposals

New Proposals	Fiscal 2010					Fiscal 2011				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 30005 - Therapeutic Group Home Fund Switch										
03	0.00	500,000	0	0	500,000	0.00	500,000	0	0	500,000
DP 30009 - Guardianship - Loss of Federal Funds										
03	0.00	200,000	0	(200,000)	0	0.00	200,000	0	(200,000)	0
DP 30015 - New FTE Package										
03	5.00	152,224	0	85,627	237,851	5.00	147,888	0	83,188	231,076
DP 30016 - Provider Rate Increase - CFSD										
03	0.00	101,791	0	40,977	142,768	0.00	138,776	0	55,865	194,641
DP 30024 - SSI Contracted Services for Transitional Kids										
03	0.00	(60,739)	100,000	13,880	53,141	0.00	(61,995)	100,000	13,436	51,441
Total	**5.00**	**$893,276**	**$100,000**	**($59,516)**	**$933,760**	**5.00**	**$924,669**	**$100,000**	**($47,511)**	**$977,158**

DP 30005 - Therapeutic Group Home Fund Switch - The Governor requests $1,000,000 in general fund for the 2011 biennium because the Montana Medicaid program is changing its reimbursement policy for Therapeutic Group Homes (TGHs) as a result of federal law changes. Changes are expected to be implemented July 1, 2009. Medicaid is changing its reimbursement policy to only reimburse for the therapeutic portion of care. Currently, Medicaid pays the "treatment" component for children placed in a TGH and CFSD pays for the "room and board" component. Expenses associated with room and board will no longer be reimbursable and costs would shift to CFSD general fund expenditures.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: Medicaid is changing its reimbursement policy to only reimburse for the therapeutic portion of care and requires states to reimburse TGHs using a fee-for-service reimbursement method. Montana Medicaid currently uses a bundled daily rate.

Goal: To correct noncompliance with federal Medicaid laws and to ensure that CFSD and HRD each pay their fair share for the costs of maintaining children in Therapeutic Group Homes.

Performance Criteria: 1) HRD staff analyzes the TGH cost reports – presently occurring; 2) CFSD and HRD modify their current reimbursement amounts and/or methodologies; 3) TGH reimbursement changes are implemented by July 1, 2009; 4) HRD and CFSD report to the legislature during the interim on the results of the audited cost reports of the TGH providers, the establishment of new allocations between treatment and room and board components, and the new rates and rate methodologies

Challenges: Challenges include analyzing the cost reports of all TGH providers, establishing an allocation of costs between treatment (HRD) and room and board (CFSD), and setting new rates in both divisions.

Risks: The primary risk to the state is that the Medicaid State Plan may be found out of compliance and the state may have to reimburse the federal government for funds spent which were not in compliance.

DP 30009 - Guardianship - Loss of Federal Funds - The executive requests $200,000 of general fund authority for each year of the 2011 biennium to support the guardianship demonstration project of the five-year IV-E Guardianship Waiver.

LFD ISSUE

The IV-E Guardianship Waiver (Waiver)

There are two parts to the project, an experimental group and a control group. One of the requirements of the Waiver was cost neutrality. Some children dropped out of the control group and federal rules would not allow them to be replaced. When children left the control group, costs for the control group were reduced and it is not possible to show cost neutrality in the federal reports. This request would replace the decreased federal funds and maintain neutrality.

Each quarter CFSD receives federal approval to continue serving the children whose guardianship was established under the Waiver. These 95 children are eligible for federal IV-E funding at the division's FMAP rate. If the children are removed from the Waiver, the general fund would increase from about 33 percent to 100 percent per child.

DP 30015 - New FTE Package - The Governor requests nearly $0.5 million for the 2011 biennium for the addition of 5.00 FTE for Child Protective Services (CPS), Permanency Planning Specialists, Centralized Intake (CI), and Administrative Support. The general fund portion for the 2011 biennium is $300,112.

LFD ISSUE

The Request Does Not Supply Adequate Information for the Legislature to Make a Decision.

At the time of this writing, the division did not yet know where the positions would be located or their specific duties.

Additionally, this request relates to the earlier discussion in the personal services section about the on-going issue of recruitment and retention for this division. The legislature may wish to consider a discussion with the division about why and where the FTE are needed as well as a timeframe for reporting to the legislature on the success achieved by hiring the FTE, and where possible, the impact of the FTE made at a county, regional, or local level

DP 30016 - Provider Rate Increase - CFSD - The Governor requests $240,567 general fund authority and $96,842 federal fund authority for the 2011 biennium to address a 1 percent rate increase beginning October of each year (annualized at 0.75) for providers in the foster care program. There is additional information in the agency overview.

LFD ISSUE

Division Not Sufficiently Funded

It appears the division is not sufficiently funded in FY 2011. If all providers are to receive the increase, the FY 2011 total should be closer to $290,000.

DP 30024 - SSI Contracted Services for Transitional Kids - The Governor requests $104,582 over the biennium for contracted services for an SSI transitional worker to make SSI applications on behalf of children who are in the custody of the State of Montana and who are considered to meet the SSI criteria. There would be a primary focus on children aging out of foster care who have multidisciplinary needs. The contractor would be hired by October 1, 2009 and be fully trained by June 30, 2010. It is estimated that the four incumbent SSI Specialists generated more than $400,000 of general fund savings in the Foster Care program in FY 2008.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: Of approximately 1,600 children in foster care, 340 children (21 percent) are currently receiving SSI or SSB benefits. These funds are collected by the State of Montana and are applied toward the cost of foster care. When children age out of foster care they must undergo an "Age 18 Redetermination" based on adult SSI eligibility criteria.

Children receiving benefits when they age out of foster care have a better chance of passing an Age 18 Redetermination. The current number of SSI Specialists (4) is not adequate to complete and submit SSI applications for all of the children in foster care who potentially qualify for SSI/SSB.

The services will be funded 73.88 percent general fund and 26.12 percent federal funds and generate an estimated $100,000 in third party revenue (SSI/SSB) for the 2011 biennium.

Goals:

- To provide SSI Specialist services to children aging out of foster care who have multidisciplinary needs
- To maximize the amount of SSI/SSB funds collected by the state for children currently in foster care and by applying these funds towards the cost of providing foster care

Performance Criteria:

- Hire a contractor by October 1, 2009 and have them trained by June 30, 2010
- Determine the number of SSI/SSB applications made that resulted in additional funding
- Count the number of children transitioning into adulthood who were provided Age 18 Redetermination services

Challenges: One of the biggest challenges would be finding or training a person with substantial knowledge of the SSI application processes for both children and adults because the criteria used by the Social Security Administration is different for each category.

Risk: One of the risks is that some children with multidisciplinary needs may age out of foster care and have very few, if any, services available to them. Another risk is that the state will lose federal SSI/SSB funds that could be available for children who meet the SSI criteria.

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	48.25	48.25	53.25	53.25	48.25	53.25	5.00	10.36%
Personal Services	4,117,859	3,397,769	3,862,193	3,873,154	7,515,628	7,735,347	219,719	2.92%
Operating Expenses	7,584,904	7,373,915	7,785,577	7,762,921	14,958,819	15,548,498	589,679	3.94%
Benefits & Claims	0	15,000,000	0	0	15,000,000	0	(15,000,000)	(100.00%)
Debt Service	3,657	13,066	3,657	3,657	16,723	7,314	(9,409)	(56.26%)
Total Costs	**$11,706,420**	**$25,784,750**	**$11,651,427**	**$11,639,732**	**$37,491,170**	**$23,291,159**	**($14,200,011)**	**(37.88%)**
General Fund	3,915,922	3,332,424	3,873,127	3,870,103	7,248,346	7,743,230	494,884	6.83%
State Special	379,129	353,658	356,812	355,908	732,787	712,720	(20,067)	(2.74%)
Federal Special	7,411,369	22,098,668	7,421,488	7,413,721	29,510,037	14,835,209	(14,674,828)	(49.73%)
Total Funds	**$11,706,420**	**$25,784,750**	**$11,651,427**	**$11,639,732**	**$37,491,170**	**$23,291,159**	**($14,200,011)**	**(37.88%)**

Program Description

The Director's Office (office) provides overall policy development and administrative guidance for the department. Included in the Director's Office are the Deputy Director for Health Services, who also serves as the state Medicaid director, the Chief Operations Officer, legal affairs, personnel services, public information, the Prevention Resource Center including the AmeriCorps*VISTA Program, the Office of Budget and Finance, and the Office of Planning, Coordination, and Analysis. The Office of Planning, Coordination and Analysis is responsible for management of the Medicaid Management Information System (MMIS). The Department of Public Health and Human Services Statewide Advisory Council, the Native American Advisory Council, and the Montana Health Coalition are administratively attached and the director serves on the Interagency Coordinating Council for State Prevention Programs, which is attached to the Governor's Office.

Statutory authority is in Title 2, Chapter 15, part 22 and Title 53, Chapter 19, part 3, MCA.

Program Highlights

Director's Office
Major Budget Highlights

- The Director's Office overall budget proposal decreases 37.9 percent when compared to the 2009 biennium due primarily to the elimination of the HIFA waiver federal funds
    - The executive proposes increased general fund of 6.8 percent to support the state's share of indirect cost allocations

Major LFD Issues

- Executive proposal for funding additional human resource FTE can be reduced
- Measurable objectives could include timely budget status reports on the Medicaid budget

Program Narrative

The 2011 biennium budget request declines 37.9 percent or $14.2 million when compared to the 2009 biennium. The 2005 Legislature approved the Health Insurance Flexibility and Accountability (HIFA) waiver and appropriated funds in anticipation of approval. HIFA waivers allow states to waive requirements of the Social Security Act in areas such as comparability of services, statewideness, early and periodic screening diagnostic and treatment services (EPSDT), and cost sharing. Waiving these provisions allows states to be creative in designing new health care programs to meet the needs of various uninsured populations. The 2007 Legislature also appropriated funds in anticipation of approval of the HIFA waiver during the 2009 interim. To date, while the Centers for Medicare and Medicaid (CMS) has not denied the request, department officials indicate CMS is not approving these types of waivers. The department has not included $30 million in additional federal funds for HIFA in the 2011 biennium budget.

Present law changes for the Director's Office are negative for both years of the 2011 biennium due to removal of department wide termination payouts of about $1,187,000. Agencies pay accumulated annual leave and a portion of unused sick leave when employees retire or leave state employment. Termination payouts are recorded in the personnel program budget in the Director's Office and then removed from the base budget as a one-time expense. Removal of termination costs accounts for a reduction of about $630,000 in general fund, $123,000 in state special revenues and $434,000 in federal funds from the FY 2008 base budget as compared to the annual request for the 2011 biennium. Funds are transferred from other divisions in DPHHS to pay termination costs. Increases in personal services and operating costs offset part of the reductions.

2009 Biennium Major Goals

The following provides an update of the major goals monitored by the Legislative Finance Committee (LFC) during the 2009 interim.

The LFC monitored the program goal to complete a study of the Medicaid Management Information System (MMIS) and make recommendations on the necessity for improvements to the current system or of a system rewrite. The MMIS administration is included as part of the functions of the Director's Office. Proposed changes to the codes used within the system to make provider payments will require changes to the system in the 2011 biennium. The 2007 Legislature approved a one-time-only restricted biennial appropriation of $800,000, $200,000 general fund, in FY 2008 to analyze the current MMIS and make recommendations for improvement or rewrite of the system.

Status:

As of December 2007, the LFC determined the project was on track and released it from further review by the committee.

MMIS is again part of the budget deliberations for the legislature. The executive proposes including major information technology (IT) projects within HB 10, the bill for the Long Range Building Program, in the 2011 biennium. Included in the proposed bill is a decision package for a rewrite of MMIS at a cost of $65.5 million, $62 million in federal funds and $3.5 million in general fund. Part of the need for the rewrite is that the diagnostic codes that are used to make payments to Medicaid providers are expanding from 4,000 codes to 10,000 codes. As this is happening on a national level, several other states have already rewritten their MMIS programs. DPHHS proposes to use another state's system and modify it to fit Montana's needs, reducing the costs. Operational costs related to the current MMIS are included in the proposed budget for the Director's Office. It is unclear from the long range building IT proposal if the costs of operating the new system will impact the Director's Office. Refer to Volume 7, for further information on the proposal.

2011 Biennium Major Goals

The Director's Office is required by law to submit goals and measurable objectives as part of the budgeting process. The LFD recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim. The identified significant goal for the Director's Office is improve and protect the health, well-being, and self-reliance of all Montanans.

The Director's Office includes several objectives for this goal. The Office of Planning, Coordination, and Analysis has two objectives for the goal:

- Assist top management in the analysis and development of policy determining impact on clients in services through advanced professional research, statistical reporting, analysis, and interpretation of health care data (e.g. Medicaid) as measured by data indicator reports completed on a monthly, quarterly and annual basis and Medicaid projections completed monthly from October to June each year
- Monitor to ensure the proper management of the MMIS system as measured by 95 percent of all MMIS claims are paid or denied within 30 days of receipt

LFD ISSUE

Additional Performance Measurement

The total 2009 biennium appropriation for Medicaid was $1.8 billion in total funds or 55 percent of the HB 2 budget. General fund supports almost $419.0 million of the appropriation. Due to the significance of Medicaid to the state's budget and the potential for major variances in the costs over the biennium, the legislature required DPHHS to report the status of the budget throughout the fiscal year. 53-6-110, MCA requires that DPHHS provide to the LFC monthly reports containing estimates of the cost for Medicaid services and a budget status report for all department programs. The first report is due November 15 each year. In addition, a fiscal year end summary of Medicaid costs and budget status reports is due to the LFC at the first meeting following the end of the fiscal year.

Current information is vital to:

- tracking trends
- examining increasing or decreasing costs within various programs
- identifying changes resulting from fluctuating economic conditions

The information contain in the budget status reports could assist the legislature monitoring trends, costs, and changes for the Medicaid program.

For example, supplemental appropriations have been required for the Medicaid program in past biennia. Timely budget status reports could have provided the LFC information on the cost overruns in advance of the supplemental budget request, allowing for legislative input on priorities for cost reductions. In FY 2008, Medicaid expenditures were lower than projected in the budget, allowing DPPHS the flexibility to make $12.1 million in general fund appropriation transfers and operating plan adjustments. Had the LFC had timely information on the magnitude of the funding available to transfer it could have discussed legislative priorities for the funds.

The figure shows the due dates and receipt dates of the budget status reports in FY 2008.

Director's Office
Budget Status Reports

Due Date	Received Date
9/15/2007	9/5/2007
11/15/2007	11/29/2007
12/15/2007	2/15/2008
1/15/2008	3/21/2008
2/15/2008	5/27/2008
3/15/2008	6/12/2008
4/15/2008	
5/15/2008	
6/15/2008	
9/15/2008	9/15/2008

The budget status report on the various DPHHS programs was either not received or past due for 8 of the 10 required reports. The delays limit the usability of the report as a tool for legislative monitoring of the Medicaid budget. The only reports received either on time or in advance were those for the fiscal year end.

In addition, the data contained in the reports lagged the report dates by several months. For example, the costs included in the report due on December 15, 2007 contained October cost data from the state's accounting system and Medicaid estimates from November. As the report was not received by the Legislative Fiscal Division until February 15, 2008, the costs and estimates were between three to four months old and ineffectual for the intended purpose of updating the LFC on the status of the most significant cost driver in the state's budget.

Option: Require the Director's Office to include timely receipt of current budget status reports by the LFD as one of the measurable objectives for its goal to improve and protect the health, well-being, and self-reliance of all Montanans and recommend the objective be reviewed by the LFC during the interim.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Governor.

Program Funding Table
Director'S Office

Program Funding		Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000	Total General Fund	$ 3,915,922	33.5%	$ 3,873,127	33.2%	$ 3,870,103	33.2%
	01100 General Fund	3,915,922	33.5%	3,873,127	33.2%	3,870,103	33.2%
02000	Total State Special Funds	379,129	3.2%	356,812	3.1%	355,908	3.1%
	02099 69010-Vista-Community Cost Shr	77,246	0.7%	66,367	0.6%	66,283	0.6%
	02377 02 Indirect Activity Prog 04	301,883	2.6%	290,445	2.5%	289,625	2.5%
	02789 6901-Chip/Mcha Tobacco Sett Fd	-	-	-	-	-	-
03000	Total Federal Special Funds	7,411,369	63.3%	7,421,488	63.7%	7,413,721	63.7%
	03072 69010-Cns-Grants-Vista	293,272	2.5%	293,383	2.5%	293,399	2.5%
	03133 Medicaid Infrastructure 93.768	-	-	-	-	-	-
	03238 Enh Ehr Clincal Dec Making	-	-	-	-	-	-
	03426 Chip Program Fed	-	-	-	-	-	-
	03580 6901-93.778 - Med Adm 50%	9,843	0.1%	10,177	0.1%	10,182	0.1%
	03583 93.778 - Med Ben Fmap	-	-	-	-	-	-
	03594 03 Indirect Activity Prog 04	7,108,254	60.7%	7,117,928	61.1%	7,110,140	61.1%
Grand	Total	$ 11,706,420	100.0%	$ 11,651,427	100.0%	$ 11,639,732	100.0%

The Director's Office is funded through a combination of general fund, and state and federal special revenues. The majority of the functions are supported through cost allocations whereby the costs of the Director's Office are allocated to the other divisions within DPHHS. The department has a complex public assistance cost allocation plan reviewed by six federal agencies and approved by Montana's federal oversight agency. Federal indirect cost allocations make up 95.8 percent of the federal revenues in the 2011 biennium. Federal special revenues decrease 49.7 percent between the 2011 and 2009 biennia. The elimination of funding for the HIFA waiver accounts for the majority of the decrease in federal special revenues between 2009 biennium and 2011 biennium.

General fund supports about 33 percent of the Director's Office in the 2011 biennium budget, increasing 6.8 percent when compared to the 2009 biennium, due primarily to support for additional human resource staff and statewide present law adjustments.

Two state special revenue funds support the Director's Office: 1) cost allocations, budgeted at about $267,000 annually; and 2) community cost shares for VISTA volunteers. The Prevention Resource Center administers the VISTA program, which is also supported by a federal grant.

LFD COMMENT

For FY 2008 and FY 2009, DPHHS transferred $871,172 and $888,590 for the MMIS system from the Health Resources and Addictive and Mental Disorders Division to the Director's Office. These transfers increased appropriations for general fund by $367,223, state special revenue by $23,352, and federal special revenue by $480,597 in FY 2008.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	3,915,922	3,915,922	7,831,844	101.14%	11,706,420	11,706,420	23,412,840	100.52%
Statewide PL Adjustments	(206,482)	(200,167)	(406,649)	(5.25%)	(493,835)	(480,489)	(974,324)	(4.18%)
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	163,687	154,348	318,035	4.11%	438,842	413,801	852,643	3.66%
Total Budget	$3,873,127	$3,870,103	$7,743,230		$11,651,427	$11,639,732	$23,291,159	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010					Fiscal 2011				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(369,521)					(358,191)
Vacancy Savings					(149,930)					(150,384)
Inflation/Deflation					1,626					2,133
Fixed Costs					23,990					25,953
Total Statewide Present Law Adjustments					**($493,835)**					**($480,489)**
Grand Total All Present Law Adjustments					**($493,835)**					**($480,489)**

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- **Market Rate** - As of October 2008, the Director's Office estimates employees will be at 95 percent of the 2008 market survey, after implementing the HB 13 pay adjustments. This is below the agency's target of 100 percent of market
- **Vacancy** - The Director's Office had a 16 percent turnover for attorneys in the Office of Legal Affairs. The office finds it difficult to recruit individuals with experience in Medicaid or with its payment systems. To attract applicants and remain competitive, the office has adjusted the related pay bands, thereby increasing its target market ratios.
- **Legislatively applied vacancy savings** - Due to the difficulty in filling positions, positions have remained open for longer periods of time generating the legislatively applied vacancy savings in the 2009 biennium. Savings above the required 4 percent was used for overtime, pay adjustments, and funding for modified positions.
- **Pay Changes** - The office used vacancy savings to grant pay changes above those approved in HB 13.
- **Retirements** - The office estimates 32 employees or 65 percent of the office workforce will be eligible for full retirement in the 2011 biennium. The estimated compensated absence liability for these retirements is $48,888. The office estimates a total of eight employees will retire during the 2009 biennium. The office is working to cross train various staff within the office to prepare for these potential retirements.

New Proposals

New Proposals										
	Fiscal 2010					Fiscal 2011				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6101 - Fixed Cost Workers Comp Management Prgm Allocation										
04	0.00	36,822	6,782	55,115	98,719	0.00	31,927	5,880	47,787	85,594
DP 40013 - Human Resources FTE										
04	5.00	126,865	23,367	189,891	340,123	5.00	122,421	22,547	183,239	328,207
Total	5.00	$163,687	$30,149	$245,006	$438,842	5.00	$154,348	$28,427	$231,026	$413,801

DP 6101 - Fixed Cost Workers Comp Management Prgm Allocation - The Workers' Compensation Management Program at the Department of Administration was funded by the 2007 Legislature with a one-time-only (OTO) general fund appropriation. For the 2011 biennium and beyond, the executive proposes the program be funded via a fixed cost allocation. The allocation is based upon the average number of payroll warrants issued per pay period. Because the program was approved as an OTO for the current biennium, it must be presented as a new proposal for the next biennium. Therefore, the allocation cannot be included as part of the standard present law fixed cost process.

DP 40013 - Human Resources FTE - This request is for 1.00 FTE for a human resource manager and 4.00 FTE for human resource specialists, for the Human Resource Unit, and also includes training expenses to bring in speakers and to travel to the institutions. A total of $668,330 is requested for the biennium, including $249,286 general fund, $45,914 state special revenue, and $373,130 federal funds.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: The Human Resources Unit is being reorganized to better serve the needs of the agency's nearly 3,000 employees and address the 30 collective bargaining agreements negotiated with over ten labor organizations. Currently, the DPHHS human resource (HR) functions are done by 10.00 FTE in professional capacities, and 2.50 administrative support staff in the Helena office. In addition, 3.00 FTE are located in facilities in Butte, Deer Lodge, and Boulder and some part time FTE in three of the facilities that provide HR support. Four new FTE are being requested. One HR Supervisor would be added to manage the unit services related to pay, classification, workforce development and recruitment. In addition, 4 HR specialists would be assigned to understaffed program areas of pay/compensation, labor relations, civil rights compliance, and training.

By comparison, the next largest state agencies, the Department of Transportation and the Department of Corrections, have a significantly higher ratio of HR staff/employees in support of their HR functions. The Department of Corrections has 1250 employees statewide served by approximately 22 HR staff directly reporting to the HR Division Administrator with additional training and safety staff in the DOC facilities and institutions. The Department of Transportation has 2300 employees across the state and is supported by 39 HR staff reporting to the HR Division Administrator. This includes 5 district HR District Specialists located outside of Helena.

For these three examples, the approximate HR staff / employee ratio in each agency is as follows:

- MT Department of Transportation – 1:59
- MT Department of Corrections – 1:57
- Department of Public Health and Human Services –
  With Helena HR staff only – 1:240
  With Helena and indirect facility staff – 1:200

Goals: objectives:

1. Build agency wide pay plan rules and guidance for union and non-union staff to be used in consideration of the 2008 market rates and in collective bargaining negotiations.
2. Respond in an appropriate, timely, legally sound fashion to issues related to discrimination in employment or provision of agency services.
3. Enhance workforce development, recruitment and retention outcomes for the agency.
4. Maintain effective, collegial relationships between agency management and thirty individual bargaining units.
5. Ensure agency compliance with federal and state labor, employment, and civil rights statutes and rules.

Project Outcomes and Milestones:

1. Recruit and hire Compensation and Classification professional staff (anticipated start date – 1/1/2008) to lead and implement collaborative agency process.
2. Convene agency compensation team to identify needs and build compensation pay plan rules (by March 31, 2008)
3. Review current agency pay rates in relation to 2008 market rates, agency pay plan rules in context of union contract negotiations (by May 1, 2009.)
4. Recruit and hire a Civil Rights Specialist to investigate and respond to discrimination claims (by March 1, 2009).
5. Implement non-discrimination training policy for agency staff.
6. Review and revise agency nondiscrimination policies and procedures.
7. Recruit and hire Workforce Development Specialist (by July 1, 2009)
8. Design comprehensive agency succession plan to respond to increased employee retirements and employee turnover.
9. Review and revise agency recruitment and selection policy and procedures.
10. Design agency training plan which focuses on professional development and investment in our employees.
11. Renegotiate thirty agency collective bargaining agreements and pay addendums by June 30, 2009.
12. Effectively support managers in staff disciplinary actions, grievance handling, and labor relations efforts.
13. Institute and manage effective Labor Management Committees throughout the agency.
14. Maintain compliance with new Title I and Title II ADA requirements including self-assessments, transition plans, and management and employee support.
15. Conduct agency ADA and FMLA compliance training for employees and supervisors.

LFD ISSUE

Time bound components of the project outcome measurements are all in the 2009 biennium

Option: As the proposal is for the 2011 biennium, the legislature may wish to discuss with the Director's Office how it can develop time-bound measurements for success for the 2011 biennium

Funding: The funding for this request consists of $249,286 general fund, $45,914 state special revenue, and $373,130 federal funds.

Evaluation: Service to the agency customers will be monitored and evaluated through regular feedback opportunities, training evaluations, and customer surveys. Workforce development outcomes will be measured by employee turnover, retirements, and success of recruitment and retention efforts.

Obstacles: The legal and statutory environment is changing quickly and requires constant education and review by the HR staff. The complex collective bargaining environment in the agency is challenging and time consuming. A shortage of office space and funding to support additional staff has been an ongoing challenge.

Risk: Failure to adequately support the human resources function of the agency results in higher turnover, more grievances and complaints against the agency, and low employee and client morale. To accomplish the mission of the agency, staff of the agency must be professional, motivated and well prepared through appropriate education and

training. Support for supervisors and managers at all levels of the agency results in fewer problems and higher productivity.

LFD ISSUE

Director's Office used modified positions for human resource functions funded with the indirect cost allocations in FY 2008. In addition to the office's 48.25 FTE, 4.44 modified FTE were supported through budgeted resources. The majority of the funding is generated through indirect cost allocations. The office was able to fund its legislatively applied vacancy savings, grant pay raises, and fund modified FTE using indirect cost allocations and savings generated through vacant positions. The agency was also able to fund the modified positions in the 2007 biennium using similar funding mechanisms. Of the 4.44 modified positions, 1.00 FTE at a cost of $58,154 was a human resource specialist. The executive is proposing 5.00 FTE for the human resource function at a cost of $527,655.

Option:
Given that the Director's Office was able to fund one human resource position in the base year without additional funding, the legislature may wish to consider reducing this decision package by $116,308, the costs of the position the office was able to fund using available resources.

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	168.25	168.25	168.25	168.25	168.25	168.25	0.00	0.00%
Personal Services	7,118,652	7,082,282	8,957,704	8,993,417	14,200,934	17,951,121	3,750,187	26.41%
Operating Expenses	2,190,718	1,963,071	2,519,920	2,525,771	4,153,789	5,045,691	891,902	21.47%
Equipment & Intangible Assets	0	5,700	0	0	5,700	0	(5,700)	(100.00%)
Debt Service	59,015	59,015	59,015	59,015	118,030	118,030	0	0.00%
Total Costs	**$9,368,385**	**$9,110,068**	**$11,536,639**	**$11,578,203**	**$18,478,453**	**$23,114,842**	**$4,636,389**	**25.09%**
General Fund	2,168,548	2,249,690	3,855,870	3,869,810	4,418,238	7,725,680	3,307,442	74.86%
State Special	1,605,373	1,708,018	1,679,065	1,684,680	3,313,391	3,363,745	50,354	1.52%
Federal Special	5,594,464	5,152,360	6,001,704	6,023,713	10,746,824	12,025,417	1,278,593	11.90%
Total Funds	**$9,368,385**	**$9,110,068**	**$11,536,639**	**$11,578,203**	**$18,478,453**	**$23,114,842**	**$4,636,389**	**25.09%**

Program Description

Mission statement: The mission of the Child Support Enforcement Division (CSED) is to diligently pursue and ultimately achieve financial and medical support of children by establishing, enforcing, and increasing public awareness of parental obligations.

The purpose of the CSED is to pursue and obtain financial and medical support for children by establishing, enforcing, and collecting financial support owed by obligated parents. Program staff locates absent parents, identifies assets, establishes paternity, and ensures obligated parents maintain medical health insurance coverage for their dependent children. Child support payments are collected for families receiving public assistance and those not on assistance. Services are available to any applicant regardless of income level.

The division has six bureaus including: the Budget Office, Field Services Bureau, Administrative Services Bureau, Legal Services Bureau, System Policy and Training Bureau, and the Office of the Administrative Law Judge.

Activities carried out by program staff are authorized in Title 40, Chapter 5, MCA, and are mandated by the federal government in accordance with Title IV-D of the Social Security Act, 42 USC 651 et seq., and 45 CFR, Chapter 3.

Program Highlights

Child Support Enforcement Division
Major Budget Highlights

- The executive budget contains a total fund increase of over $4 million when the 2009 and 2011 biennia are compared, which is nearly all due to personal services costs and health insurance as well as a request of about $0.6 million for increases in rental contracts
- There is a general fund increase of over $3 million supporting statewide and present law increases
- The division met or surpassed its goals from the last session, and showed an increase of $8 million in child support collections

Major LFD Issues

- The division goals should include measurable objectives and be expanded to include measurements reflecting regional activity as well as the federally audited goals and benchmarks

Program Narrative

Goals and Objectives:

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the Legislative Fiscal Division recommends that the legislature review the following:

- Goals, objectives and year-to-date outcomes from the 2009 biennium
- Goals and objectives and their correlation to the 2011 biennium budget request

Any issues related to goals and objectives raised by LFD staff are located in the program section.

2009 Biennium Major Goals:

The following provides an update in the major goals monitored during the 2009 interim.

Successes:

- The division successfully met its goals to achieve the federally set standards as shown in Figure 25 Goals are also monitored by the federal Office of Child Support Enforcement (OCSE), which ties the state performance to the performance incentive fund discussed later in the narrative.
- The division achieved its goal to assist Tribal child support programs by assisting the Chippewa Cree in developing their Tribal child support program, providing training for a Blackfeet Tribe Tribal child support program, and meeting with and providing initial support to the Fort Belknap Tribe in their proposal for grant funding for the same purpose.

Figure 25
Child Support Enforcement Division
Goals Met for Federal Fiscal Year Ending September 2008

	Federal Yr. Ending 9/08
Increase Child Support Collections from $59.2 Million	$ 66,987,626
Maintain the IV-D paternity establishment percentage at 90 percent*	106.6%
Maintain the percentage of cases with support orders at 80 percent	88.2%
Increase the percentage of cases with current support collections at 63 percent	64.2%
Increase the percentage of cases with arrears child support collections to 67 percent	69.9%

* Can exceed 100 percent due to federal definitions of the denominator

2011 Biennium Major Goals

The LFD recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim.

The following provides an overview of major goals for the 2011 biennium as the division submitted with its budget.

- Continuously increase child support collections
- Maintain the IV-D paternity establishment percentage
- Maintain the percentage of cases with child support orders
- Continuously increase the percentage of cases with current child support collections
- Continuously increase the percentage of cases with arrears child support collections
- Increase the cost effectiveness ratio
- Continuously increase the number of children with medical support
- Increase the number of child support cases with medical support and medical insurance

Another goal, "Continue to assist Tribal child support programs during the 2009 biennium", was recommended by the Legislative Finance Committee (LFC) for discussion through the 2009 interim, even though the division successfully met this goal. LFC members liked having a goal that was linked to CSED services at the state level and reflected the state's relationship with Tribal entities. It was not included in the division's budget submission.

LFD ISSUE

What does $23 Million Buy Montana Communities?

There are two concerns with the goals as presented. The first is the omission of measurements, and the second is the lack of a goal with measurements that reflect any Montana based concerns.

Lack of Measureable Objectives

The goals as listed are specific, but there is no way to determine if success is being achieved within prescribed times. One way to make this determination is through the establishment of specific benchmarks. In order for the legislature to determine whether goals are being met and state resources are being expended most efficiently, it is necessary to have measurable objectives. The submitted goals for the 2011 biennium do not have benchmarks, even though the federal government provides the division with benchmarks by regulation. The benchmarks for FFY 2007 that CSED used in achieving their goals are in Figure 25.

Option:
The legislature may wish to discuss how the goals can be improved so that success can be measured.

Lack of Montana based Concerns

In 2007, the legislature added $4.2 million general fund to the CSED budget because of a funding shift mandated in the Federal Deficit Reduction Act of 2005 (DRA). (There is further information in the budget request section below.) Prior to approving the request for additional general fund, the 2007 Legislature expanded its budget discussion to include measurements that reflected some Montana based concerns, such as staff recruitment and retention and the geographic challenges of service delivery. The legislature asked CSED to include a 2009 biennium goal to address the work being done by staff in the CSED regions and that showed a link to Montana communities. As a result, the division added the goal to provide assistance to Tribal child support. However, the goals submitted by the division contain no focus beyond the federal standards.

The division has the capacity to provide the legislature with data at the regional level. For example, the regional achievements for FY 2008 for the goal to continuously increase child support collections are: Region 2 (Great Falls) - $9 million; Region 3 (Billings) - $16 million; Region 4 (Butte) - $13 million; Region 5 (Missoula) - $13 million, and the Interstate Region 8 staff - $12 million for a total of $59 million for the state fiscal year.

Option:
In order to understand if state resources are being expended efficiently throughout the state, the 2009 Legislature may wish to continue the 2007 Legislature's request that CSED include goals and measureable objectives that would reflect achievements within the state as well as its achievement of the federal benchmarks.

Should the legislature elect to have some CSED goals contain measurements that reflect both federal and state or regional achievements, it may wish to:

- Discuss the addition of measurements to one of or more of the existing goals that would show regional achievements
- Recommend that the Legislative Finance Committee monitor: 1) the goal to assist Tribal child support; 2) the goals related to the federal standards; and 3) at least one goal from the federal standard list that would track regional achievements.

Federal Regulation Mandates the Child Support Enforcement Division

Federal regulation mandates a child support enforcement program in all states under Title IV-D of the Social Security Act in order for states to:

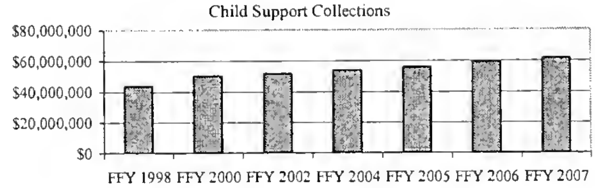
1. Maintain state eligibility for federal Temporary Assistance for Needy Families (TANF) Block Grant; and
2. Receive federal funding for the program.

Services must be available to anyone who applies, regardless of the family income and resource level. Individuals who receive public assistance under TANF, Medicaid, and the Foster Care Program are automatically referred to CSED. As a condition of the TANF block grant, collection of child support owed to the family is automatically assigned to the state and is used to reimburse federal and state governments for welfare benefits paid to the family. Individuals not on TANF may also apply for CSED services, and their support collections are forwarded to the custodial party. It is also possible for other states to refer cases to Montana for action when a non-custodial parent lives in Montana.

Budget Request - A Biennial Comparison

The division reached a historical high in child support collections of $61,500,000 for the FFY ending September 2008. Figure 26 shows the growth in child support collections.

Figure 26
Child Support Collections



The executive's 2011 biennium budget request of nearly $23 million increases the 2009 biennium budget by more than $4 million. Nearly all of the increase is for personal services costs and health insurance related to 168.25 FTE that account for $18 million of the $23 million total budget. The increase in operating expenses is primarily due to the Governor's request of about $0.6 million over the biennium for increases in rental contracts for non-Department of Administration locations and statewide present law increases in postage, gasoline and travel, supplies, and communication equipment.

Decline of State Special Revenue and the Base Budget

Child support enforcement programs nationwide were originally established under the concept of recovering the costs of public assistance payments made under welfare systems. Montana was no exception, and for a number of years the division's activities were funded with state special revenue from collections of child support and from federal incentive funds received for meeting or exceeding the federal incentive performance measures.

However, over the last two biennia, Congress shifted a larger portion of child support funding to the states, primarily through the federal Deficit Reduction Act of 2005 (DRA). The DRA rules created a major funding shift from state special revenue to the general fund for the legislature to address. The 2007 Legislature appropriated nearly $4.2 million general fund over the biennium comprising:

- $3.8 million to replace the CSED projected loss of state special revenue from the DRA elimination of the incentive funds match
- $0.4 million for a new, mandatory $25 fee for services from clients that have never been on TANF
- $39,000 for the decrease of 90 percent federal match for child support paternity testing services to a federal match of 66 percent, the match rate for other program operating costs

The legislature designated most DPHHS appropriations that were related to the DRA as one-time-only (OTO) and/or restricted because of the moving status of DRA discussions in Congress at that time. This appropriation was no exception. The following figure reflects the funding changes and increase to the general fund.

As shown in Figure 27 above, the majority of the $4.2 million general fund increase was in FY 2009. As shown in the FY 2010 and FY 2011 columns, the Governor's budget reflects less general fund.

Figure 27
Child Support Enforcement
Increase of the General Fund

Source	Actual Fiscal 2007	Actual Fiscal 2008	Appropriated Fiscal 2009	Requested Fiscal 2010	Requested Fiscal 2011
General Fund	$656,647	$3,695,028	$4,373,608	$3,855,870	$3,869,810
State Special Revenue	2,101,858	1,727,767	1,731,339	1,679,065	1,684,680
Federal	6,897,392	5,406,798	5,177,034	6,001,704	6,023,713
Total - HB 2	$9,655,897	$10,829,593	$11,281,981	$11,536,639	$11,578,203

This funding switch and the related OTO increase in general fund have an impact on personal services in the executive's budget and are discussed further in the statewide present law discussion.

A long-range Information Technology (IT) Request

For the 2009 session, the Governor proposes to begin the $90 million long-range IT project for the division's System for Enforcement and Recovery of Child Support (SEARCHS) with a $1.5 million request in HB 10 for the planning phase of the project. SEARCHS was developed in the 1980s and many functions are performed manually on spreadsheets outside the system by staff, leaving room for errors and inconsistency, and consuming valuable time and making it difficult to meet federal mandates, which could jeopardize the TANF funding.

The Technology Services Division (TSD) manages IT projects for DPHHS that are funded through long-rang planning legislation to accommodate funding and projects that could extend beyond a single biennium. Funding will remain in the long-range IT budget administered by the Department of Administration until the completion of the project, which includes the warranty period. The timeline for the projects presently extends through FY 2015. There are 5.00 FTE included in the project, of which two are for TSD and three are for CSED. At the time of this writing it is not known when the staff would come on board.

LFD COMMENT

Long-Range Projects Can Impact the Division's HB 2 Budget

The legislature may wish to have the division discuss with the Joint Appropriations Subcommittee for Health and Human Services the costs that could impact this and future legislatures such as:

- Items that could potentially increase the budget of CSED over the next few years, such as the costs related to the new FTE funded through the HB 10 that are beyond the salary amounts in the HB 10 request;
- The impact of the system training on CSED for such things as:
  - The length of time that may be spent by staff out of office for staff training that could need augmentation from "fill-in" staff; and
  - The length of time following the "launch" of the systems for which CSED could realize an impact on its goals and services while staff is required to study, test, and implement the system.

Pending Lawsuits

The Montana Shooting Sports Association, along with several individual plaintiffs, has sued the Fish Wildlife and Parks over the collection of the last four digits of a license applicant's social security number. The collection of this information is at the request of the CSED and is mandated by the federal government in order for the state to be a participant in the federal system under Title IV D of the Social Security Act. If the plaintiffs are successful, FWP will be required to cease the collection of this data, and the CSED will be in violation of the federal requirement. This would mean that unless the CSED were granted an exemption from the requirement at the federal level, it could not longer be part of the federal system and would not receive federal funding, nor be able to use the system tools now available to it as a member of this system. Also, the TANF grant would be terminated, as a state must have a federally certified child support system to receive any funding under this program. The matter was tried before the Honorable Edward P. McLean, 4th Judicial District Judge in Missoula on September 29th and 30th, 2008. No decision has yet been rendered.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Governor.

Program Funding Table
Child Support Enforcement

Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	$ 2,168,548	23.1%	$ 3,855,870	33.4%	$ 3,869,810	33.4%
01100 General Fund	2,168,548	23.1%	3,855,870	33.4%	3,869,810	33.4%
02000 Total State Special Funds	1,605,373	17.1%	1,679,065	14.6%	1,684,680	14.6%
02187 Child Support State Share	1,605,373	17.1%	1,679,065	14.6%	1,684,680	14.6%
03000 Total Federal Special Funds	5,594,464	59.7%	6,001,704	52.0%	6,023,713	52.0%
03570 93.563 - Child Support Ivd 66%	5,594,464	59.7%	6,001,704	52.0%	6,023,713	52.0%
Grand Total	$9,368,385.00	100.0%	$11,536,639.00	100.0%	$11,578,203.00	100.0%

As shown in the figure, CSED is funded with a combination of general fund (33.4 percent), state special revenue (14.6 percent), and federal funds (52.03 percent). However, federal Title IV-D eligible expenditures are funded 66 percent with federal IV-D funds with the remaining 34 percent are funded by a combination of general fund and state special revenues.

In the funding chart above, the general fund contains an increase over the 2009 biennium due to the 2007 Legislature's actions as discussed earlier. State special revenue comes from federal incentive funds received for meeting or exceeding the federal incentive performance measures and the retention of collections made on behalf of present and/or past TANF participants. The state retains a portion of the funds recovered on behalf of TANF cash assistance recipients at the state share of the federal FMAP rate, 32 percent state and 68 percent federal. There is no retained revenue from non-TANF collections, which is simply collected and sent on.

State special revenues generated from child support collections on behalf of present and/or past TANF cash assistance participants directly relates to increases or decreases in the statewide TANF caseload. There is further TANF caseload discussion in the Human and Community Services Division in this volume.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	2,168,548	2,168,548	4,337,096	56.14%	9,368,385	9,368,385	18,736,770	81.06%
Statewide PL Adjustments	1,579,143	1,591,414	3,170,557	41.04%	1,850,081	1,886,735	3,736,816	16.17%
Other PL Adjustments	108,179	109,848	218,027	2.82%	318,173	323,083	641,256	2.77%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	**$3,855,870**	**$3,869,810**	**$7,725,680**		**$11,536,639**	**$11,578,203**	**$23,114,842**	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010 FTE	General Fund	State Special	Federal Special	Total Funds	Fiscal 2011 FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					2,212,282					2,249,500
Vacancy Savings					(373,230)					(374,735)
Inflation/Deflation					11,529					12,470
Fixed Costs					(500)					(500)
Total Statewide Present Law Adjustments					**$1,850,081**					**$1,886,735**
DP 50002 - Child Support Enforcement Rent Increase	0.00	108,179	0	209,994	318,173	0.00	109,848	0	213,235	323,083
Total Other Present Law Adjustments	**0.00**	**$108,179**	**$0**	**$209,994**	**$318,173**	**0.00**	**$109,848**	**$0**	**$213,235**	**$323,083**
Grand Total All Present Law Adjustments					**$2,168,254**					**$2,209,818**

Program Personal Services Narrative

As mentioned in the budget discussion, the division's state special revenue was decreased by the 2007 legislature and replaced with general fund in an OTO appropriation. Therefore, the general fund was removed from the base and now appears in the statewide present law category of personal services for legislative consideration. Of the $2.2 million listed each year on the personal services line, $1.4 million is to reinstate the OTO and $0.8 million is for the alignment of salaries to 80 percent of market, statutory pay increases, the pay plan adopted by the legislature, and benefits and longevity for existing staff.

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.
e following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- **Market Rate** – As of June 30, 2008, CSED was at 81 percent of the 2008 market survey, which was below the agency-wide 92 percent expectation. CSED does not maintain pay exceptions for entry to market ratio or progression to market.
- **Vacancy** –Vacancies generally occur in lower paying positions such as administrative assistant and support primarily due to wages and staff movement from one administrative support position to another or upward progression into a higher paying position within the division. During the hiring process, CSED tries to select candidates that can work well with angry clients, which can be another cause of turn-over.
- **Legislatively applied vacancy savings** – As a means to live within the four percent vacancy rate, CSED usually holds positions open for the 30 day limit. It has received a small amount of additional funding from within the department, and in the past has moved authority from operations to personal services. Work is shifted to existing staff during the vacancy that are usually staff paid at a higher rate than the vacant position. Workers from temporary agencies have occasionally been hired to fill in until the vacant position is filled. The division did not have any additional savings.
- **Pay Changes** -- Eleven positions were given pay increases outside of the HB 13 increases, which were to create equity within the division so that people in the same job were paid the same base pay and to ensure that supervisors were paid more than the people they supervised. The pay increases were given to 8 compliance specialists, 1 program manager, 1 administrative support FTE, and 1 budget analyst. No special funding planning was needed as the increases were not implemented until the last pay period of the year and they were not large. There was no impact to program delivery or customers.
- **Retirements** -- 115 employees (69 percent of total program workforce) will be eligible for retirement in the 2011 biennium. Based on current trends and projections, the division estimates that three employees will retire with an anticipated compensated absence liability of $24,444. In the 2009 biennium, one employee will retire. CSED is concerned about the planned and potential retirements of several key staff between October of 2008 and the end of the 2011 biennium and is taking steps for cross-training and knowledge-sharing.

DP 50002 - Child Support Enforcement Rent Increase - The Governor requests $0.6 million for increases in rent for the biennium consisting of $0.2 million general fund and $0.4 million federal funds.

LFD ISSUE

Rent Costs

Nearly all of the request is based on the staff presently at the Northgate Village in Helena that are scheduled to relocate to a new building that is not yet built. The increase is based on a July 2009 move, but the actual date is uncertain. DPHHS maintains that if the staff has to move and something else is located, rent costs would come in about the same rate as the negotiated amount for building that is not yet started.

However, about $400,000 of the budget is based on a move in July 2009, which may not occur at that time and the total amount may not be needed.

If the legislature wishes to ensure that the funds in this request are not spent on other items if they are unused, it could restrict the $400,000 to the single purpose of rent.

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	76.50	76.50	79.50	79.50	76.50	79.50	3.00	3.92 %
Personal Services	3,706,204	3,903,305	4,053,711	4,072,697	7,609,509	8,126,408	516,899	6.79 %
Operating Expenses	5,867,559	5,674,246	6,127,009	5,693,574	11,541,805	11,820,583	278,778	2.42 %
Equipment & Intangible Assets	0	0	0	0	0	0	0	0.00 %
Debt Service	32,585	67,714	32,585	32,585	100,299	65,170	(35,129)	(35.02%)
Total Costs	**$9,606,348**	**$9,645,265**	**$10,213,305**	**$9,798,856**	**$19,251,613**	**$20,012,161**	**$760,548**	**3.95 %**
General Fund	4,081,256	3,963,507	4,116,142	3,907,230	8,044,763	8,023,372	(21,391)	(0.27%)
State Special	1,044,315	975,246	1,151,263	1,140,440	2,019,561	2,291,703	272,142	13.48 %
Federal Special	4,480,777	4,706,512	4,945,900	4,751,186	9,187,289	9,697,086	509,797	5.55 %
Total Funds	**$9,606,348**	**$9,645,265**	**$10,213,305**	**$9,798,856**	**$19,251,613**	**$20,012,161**	**$760,548**	**3.95 %**

Program Description

Mission Statement: The mission of the Business & Financial Services Division (BFSD) is to provide professional services in operational areas critical to the efficient and effective management of the Montana Department of Public Health and Human Services.

BFSD provides support services for the department, including financial and accounting oversight, cash management, preparation and filing of federal reports, purchasing supplies and equipment, payroll processing, audit coordination, lease management, mail handling, management of vital records and statistics, property management, and records management. BFSD also provides leadership and guidance in the development and implementation of accounting policies and procedures and best business practices.

The division's funding is a complex mixture of state and federal funds determined by ratios associated with total departmental funding. Approximately 50 percent of the funding comes from federal sources.

Statutory authority is in Title 17, Chapter 1, part 1, and Chapter 2, MCA, and 45 CFR Subtitle A, Part 92, Subpart C92.2, and Title 50 Chapter 15 MCA.

Program Highlights

Business and Financial Services Division
Major Budget Highlights

- The 2011 biennium budget is greater than the 2009 biennium budget by less than $1 million primarily due to statewide and present law adjustments and about $0.4 million for 3.00 FTE
- The legislatively approved 2009 biennium budget was increased by $420,000 during the interim without legislative discussion
- The division met its goals and measurements for the 2009 interim

Major LFD Issues

- The vital statistics fees are no longer sufficient to support the services

Program Narrative

Goals and Objectives:

2009 Biennium Major Goals:

The following provides an update for the major goals monitored during the current interim.

Successes:

- The division achieved \$25 million for its goal to bring in \$19 million per year for institutional cost recovery
- The division achieved its goal of a growth rate of 5 percent for the biennium in the use of electronic payments

2011 Biennium Major Goals

The LFD recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim. The following is the goal, objective, and measurement for the 2011 biennium as the division provided with its budget.

Goal: Continuous improvement in the department's internal control environment by:

- Maintaining an internal control environment that promotes efficient and documented compliance with applicable laws and regulation
- Encouraging business processes that enhance the effectiveness and efficiency of department operations

Objective: To continually work to maintain an effective fiscal control environment in the department by completing an annual risk assessment of major financial processes in the department and conducting mitigation activities on 100 percent of identified high risk components

Measurements: Identification of major financial processes at the beginning of the 2011 biennium, and conducting a risk assessment and mitigation process each year; the objective is met when 100 percent of identified, major financial processes are assessed and mitigation activities are completed

LFD ISSUE

Benchmarks Would Aid in Legislative Discussion of Efficient, Effective Government

In order for the legislature to determine whether goals are being met and state resources are being expended most efficiently, it is necessary to have measurable objectives and a time frame in which the division expects to achieve the objectives.

This goal supports the BFSD mission of efficient and effective government, but there is no way for the legislature to determine if success is being achieved because there are no benchmarks to give the legislature a basis of comparison. For example, if any high risk components were previously identified and mitigation efforts are under way or completed, that information could serve as an initial benchmark.

There is also no time frame or reporting mechanism for tracking the progress toward the objective of completing mitigation activities and the legislature has no way to tell if mitigation efforts have started or would even be completed by the end of the biennium. Additionally, in the absence of a reporting mechanism, the legislature has no way of knowing if mitigation activities arise that involve items or even contracted services that would increase costs beyond the budget that the division is asking it to approve.

Options
The legislature may wish to:

- Discuss how the goals and objectives can be improved so success can be measured
- Have the division discuss how it would fund costs for mitigation activities that go beyond the requested 2011 biennium appropriation
- Recommend that the goal submitted with the budget be monitored during the 2011 interim by the Legislative Finance Committee (LFC)

There is additional discussion of goals and measurements in the new proposal section of the program narrative.

Goals and the Audit

As the centralized business center for the agency, audits can sometimes serve as measurements toward the division's goals. During the 2009 interim, BFSD discussed goals and measurements with the LFC. It noted upcoming audits and discussed incorporating relevant audit recommendations into its goals for the 2011 biennium. A brief overview of the audits is provided below.

During the 2009 biennium in accordance with its goal of continuous improvement in the department's internal control environment, the division requested an internal audit from the DPHHS Quality Assurance Division to review the efficiency of current business practices of Institutional Reimbursement (IR) and to recommend changes that would improve the efficiency of the billing process. The audit identified areas in which the division could improve, such as:

- IR should write procedure manuals for billing clerk positions
  - BFSD plans to complete procedure manuals by December 31, 2008
- IR should examine the amount of manual work connecting its staff with billings processes originating at other work sites such as county offices of public assistance and state institutions
  - BFSD in undertaking a thorough review of the existing IR business process and existing system capabilities and will include this recommendation in the review
- IR should determine areas of improvement to be gained through automation
  - BFSD is examining ways to improve the age-eligibility and invoicing forms and reconciliation reports as well as the potential changes that could be made in the computer systems for eligibility, accounting and reporting

Additionally, in October 2008 the Legislative Audit Committee requested a performance audit of the DPHHS Institutional Reimbursement Office, an office within BFSD. This audit is an outgrowth of an earlier performance study of the characteristics of the population served at Montana State Hospital, which included a component on institutional reimbursements and suggested there could be areas of improvement. It is presently in the planning stage and tentatively scheduled to begin in November or December 2008.

Finally, the 2007 financial compliance audit for the entire agency contained 19 recommendations (including 5 subparts) for corrective action. As of November 2008, DPHHS had implemented 19 of the recommendations and subparts and has 5 in the process of implementation. BFSD received 2 of the 19 recommendations including: 1) working with the Health Resources Division to implement the recommendation to comply with state policies regarding the collection of Medicaid overpayments to inpatient hospitals (being implemented); and 2) instituting new review and comparison procedures to ensure transactions are recorded appropriately and journal processing errors are prevented or detected in a timely manner (implemented).

The BSFD goals and items contained in the audits are also reflected in the Governor's proposals to add additional support for the vital statistics office, institutional reimbursement sections, and internal business controls. There is further discussion in the new proposal section of the program narrative.

Budget Request – A Biennial Comparison

As shown in the program proposed budget, the executive's $20.0 million 2011 biennium budget increases the 2009 biennium budget by less that $1 million. It is basically a present law budget that continues the 2007 Legislature's discussion of the division's budget and goals, which addressed generating increased general fund through improvements in institutional reimbursements, billing efficiency, cost recovery, and efforts to reduce costs. Increases in the executive budget from the 2009 biennium to the 2011 biennium are primarily due to:

- Present law increases driven by the estimated increases in Department of Administration (DOA) service charges for the Human Resources Information Services system, warrant writing, and capitol complex rent as well as the inflationary adjustments for postage and the state motor pool
- Present law adjustments for statutory pay increases, the pay plan adopted by the legislature, aligning FTE positions to market, and benefits and longevity for existing staff
- New proposals of $400,000 for 3.00 FTE and temporary service support in vital records services

The budget is slightly reduced as the division pays off computer and mail machine debt.

The $300,000 decrease shown in the fixed costs category of the present law adjustments table in FY 2011 reflects the biennial legislative audit appropriation that is anticipated to be spent in FY 2010.

LFD COMMENT

Increases to the Base Made During the 2009 Interim

During the interim, almost $0.5 million in general fund and other funds was added to the base budget through program transfers to this division from other divisions of the department. The general fund authority came from the Health Resources Division's general fund appropriation that was available due to lower than anticipated Medicaid benefits costs.

Program transfers are legal changes that can be done under the authority of the Governor's Office of Budget and Program Planning. However, transfers meeting a statutory threshold must be reviewed by the Legislative Finance Committee before approval. None of the transfers met the statutory threshold.

LFD COMMENT (CONT.)

As discussed in the funding section below, BSFD is funded through cost allocation. Transfers are generally the result of this method of funding the division. When the budgets are established, an estimate of funding sources is made. As the year progresses, however, the funding sources that can be charged based upon actual work may change. Program transfers are the method used to align funding with actual expenditures.

The transfers ($320,000 general fund and $100,000 state special revenue) occurred due to space remodel and relocation of staff. Another $84,000 of general fund was used to supplement a shortfall of revenue in the Vital Statistics Fee Fund. There is a discussion of this fund in the funding section that follows.

LFD brings these transfers to legislative attention because the transfers allow an expansion of the base in this division, without legislative discussion of the programmatic or operational needs supported by the added funds. The funds were expended in BSFD's personal services and operations categories. However, the funds were used only in the amount needed. At the close of FY 2008 the division expended the legislative appropriation plus the transfers mentioned above and reverted $75,300 to the general fund and $6,000 to state special revenue.

There is agency-wide information in the agency summary section at the beginning of this volume.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as requested by the Governor.

Program Funding Table
Business & Financial Services Division

Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	$ 4,081,256	42.5%	$ 4,116,142	40.3%	$ 3,907,230	39.9%
01100 General Fund	4,081,256	42.5%	4,116,142	40.3%	3,907,230	39.9%
02000 Total State Special Funds	1,044,315	10.9%	1,151,263	11.3%	1,140,440	11.6%
02382 6901-02 Indrct Activty Prog 06	636,985	6.6%	719,001	7.0%	706,606	7.2%
02419 Vital Statistics	407,330	4.2%	432,262	4.2%	433,834	4.4%
03000 Total Federal Special Funds	4,480,777	46.6%	4,945,900	48.4%	4,751,186	48.5%
03591 6901-03 Indrct Activty Prog 06	4,480,777	46.6%	4,945,900	48.4%	4,751,186	48.5%
Grand Total	$ 9,606,348	100.0%	$ 10,213,305	100.0%	$ 9,798,856	100.0%

The division is funded with general fund, state special revenue, and federal funds based upon a complex federally approved cost allocation plan, often referred to as indirect activity. For the 2011 biennium, indirect activity represents 100 percent of the federal funding and 7 percent of state special revenue. Federal funding comprises 48.5 percent of the total biennium budget, while general fund comprises 39.9 percent and state special revenue 11.6 percent.

Vital Statistics

The vital statistics state special revenue fund comes from fees paid by the public for certificates or services related to vital records, most of which are birth and death certificates. It represents 52.2 percent of the funding for the Support and Vital Records Bureau in the 2011 executive budget.

LFD ISSUE

Revenue from the Vital Statistics Fees Fund May Not Support Future Program Services

BSFD provides vital record services for a fee through its vital statistics office. Montana law requires the department to set fees by rule for the state system. DPHHS fees for a certified copy (photocopy or computer-produced) for the birth, death, and other certificates handled through vital records are $12 for the first copy of a specific request and $5 for each additional copy of the same record requested at the same time as the first copy. The surrounding states charge $13 for a certified copy and various service/handling fees with the exception of South Dakota where the charge is $10.

The vital statistics fees fund is generated from these fees as well as charges for special research requests, and federal contracts. The revenue it generates is used by the division to support the services of the vital statistics office, which include acquisition, oversight, and maintenance of the vital records system used at the state and local level, processing requests for records, and oversight of the program. When revenue from the vital statistic fees fund is insufficient to cover expenditures, general fund is transferred from other sources to cover the shortfall. As shown in Figure28, shortfalls are projected through 2011.

The fund supports two types of expenditures. The first and largest is the Governor's HB 2 budget. The second is for expenditures related to cost allocation funding for the division that exists outside the HB 2 budget, called non-budgeted expenditures. The non-budgeted items are generally not included in legislative budget deliberations, but they are of concern here because of the negative cash flow of the fund.

The HB 2 budget for the vital statistics office is presently funded at about 47.7 percent general fund and 52.3 percent from the vital statistics fees fund. Should there be more revenue in the vital statistics fee fund than estimated, the use of the general fund would be reduced. The policy concern for the legislature is the potential growth of the general fund when there is a state special revenue account which could be increased by raising fees.

Figure 28 is the fund balance for the vital statistics fees fund. It shows actual expenditures of the fund and the division's projections through FY 2011. The figure is divided into two sections. The top part reflects revenue and expenses appropriated by the legislature. The non-budgeted portion contains expenditures that are not appropriated by the legislature, and reflects the vital statistics office share of the division's cost allocation plan discussed earlier in the program narrative. The non-budgeted use of the fund is projected to be over $100,000 for FY 2009 through FY 2011.

In the appropriated expenditures, Figure 28 shows sufficient funds for the Governor's projected budget. However, the fund also covers its share of cost allocated, non-budget expenditures. Figure 28 also shows that when the non-budgeted expenditures from FY 2008 through FY 2011 are included, there is a continuing negative balance, which the division must fund from other sources.

LFD ISSUE (CONT).

Figure 28
Vital Statistics Fees Fund Balance

Fund Balance Deposits/ Expenditures	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	Projected FY 2009	Projected FY 2010	Projected FY 2011
Beginning Fund Balance	$134,827	$74,778	$89,835	$107,641	$28,426	$0	$0	$0
Appropriated Revenues - Governor's HB2 Budget								
Charges For Services*	$393,457	$456,013	$497,608	$475,840	$463,426	$417,840	$470,000	$470,300
Grants/Transfers/Misc	8,269	6,763			2,603	1,808	0	0
Subtotal Revenues/Transfers								
Appropriated Expenditures - Governor's HB 2 Budget								
Personal Services*	$308,275	$300,911	$307,752	$323,225	$315,925	345,281	290,372	291,658
Operating Expenses	74,219	75,769	98,361	107,663	86,997	124,493	141,890	142,176
Debt Service	7,524	4,470	4,470	1,617	4,411	0	0	0
Subtotal HB 2 Expenditures	$390,018	$381,150	$410,583	$432,505	$407,333	469,774	432,262	433,834
Non-Budgeted Items								
Revenue Transfers	63,488							
Equipment & Intangible Assets					2,603	1,808		
Operating Expenses **	8,269	66,569	69,218	89,331	110,732	141,621	114,054	117,475
Subtotal Expenditures - Non Budgeted	$71,757	$66,569	$69,218	$89,331	113,335	$143,429	$114,054	$117,475
Total Expenditures	461,775	447,719	479,801	521,836	520,668	613,203	546,316	551,309
Ending Fund Balance***	$74,778	$89,835	$107,641	$61,645	($26,213)	($193,555)	($76,316)	($81,009)

* The 2010 and FY 2011 figures are from MBARS
** FY 2009 - FY 2011 are division estimates
*** The division transfers funding to adjust negative balances at year end, accounting for the beginning fund balance of $0 for FY2009 - FY 2011. Such an adjustment also accounts for the difference between the FY 2007 ending balance and the FY 2008 beginning balance.

Source: Division spreadsheet, MBARS and SABHRS as of October 23, 2008

BFSD has been aware of the declining fund balance and during the 2009 interim addressed the issue with interested parties. However, the disparity of fees charged between the counties and state became the focal point of discussion. (The counties charge $5 for each certified copy of a birth certificate, and $3 for each certified copy of a death certificate as set in statute. This fee revenue remains at the local level.) There was agreement among all parties that the issue should be addressed with a focus on providing the department with adequate funding to maintain the vital statistics program with minimal impact to the constituency. By this fall the issue was stalled and there was some talk about addressing the fee structure through legislation.

Options
If the legislature wishes to address the potential increase of general fund, it may wish to consider:

- Asking the division to discuss the processes of increasing the fees with the subcommittee
- Directing the division to continue to investigate the long-term solutions to managing the vital statistic fund over the interim and/or to begin the process to increase fees and report its progress to the Legislative Finance Committee or the Child, Family and Health and Human Services Interim Committee over the 2011 interim

In the new proposal section of the program narrative there is a recommendation to have the division add a measurement to its goal that would track improvements made in the vital statistics office as a result of adding the requested temporary assistance, should the legislature approve the request.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	4,081,25	4,081,256	8,162,512	101.73 %	9,606,348	9,606,348	19,212,696	96.01%
Statewide PL Adjustments	(56,639)	(288,139)	(344,778)	(4.30%)	451,220	(25,386)	425,834	2.13%
Other PL Adjustments	1,375	1,416	2,791	0.03 %	3,314	3,413	6,727	0.03%
New Proposals	90,150	112,697	202,847	2.53 %	152,423	214,481	366,904	1.83%
Total Budget	**$4,116,142**	**$3,907,230**	**$8,023,372**		**$10,213,305**	**$9,798,856**	**$20,012,161**	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010					Fiscal 2011				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					380,029					399,654
Vacancy Savings					(163,450)					(164,232)
Inflation/Deflation					40,457					43,098
Fixed Costs					194,184					(303,906)
Total Statewide Present Law Adjustments					**$451,220**					**($25,386)**
DP 60008 - Restore Overtime	0.00	1,375	295	1,644	3,314	0.00	1,416	304	1,693	3,413
Total Other Present Law Adjustments	**0.00**	**$1,375**	**$295**	**$1,644**	**$3,314**	**0.00**	**$1,416**	**$304**	**$1,693**	**$3,413**
Grand Total All Present Law Adjustments					**$454,534**					**($21,973)**

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- **Market Rate** – The division expects to be at 90 percent of market after implementing the legislatively approved pay raises in October 2008. The agency expectation is 92 percent. BFSD maintains pay exceptions for supervisors and accountants on both entry and progression toward market because current occupational pay ranges make it difficult to attract qualified applicants and to retain current staff.
- **Vacancy** – The division identified accountants as a position that is difficult fill due to outside competition.
- **Legislatively applied vacancy savings** – As a means to live within the 4 percent vacancy rate, BFSD holds positions open and shifts funding from other operational areas and/or programs within the department. According to division staff, throughout FY 2008 the division had 12 vacant positions that were open from 1 to 5.5 months for a total of 29 months of vacancy with workload to be absorbed by other employees. With these vacancies the division gained $95,000 toward its required vacancy savings of $148,000. BFSD states that positions that were vacant from 4 to 5.5 months were due to recruiting, timing and classification issues.
- **Pay Changes**— BFSD made pay changes per the bargaining unit negotiations for recruitment and retention issues, and funds were transferred from other budgeted expenditure categories to personal services to meet increases. In FY 2008 the division increased 15 salaries for market adjustments and adjusted strategic or competency pay to 4 positions.

- **Retirements**— BSFD is concerned about the planned and potential retirements of several key staff between October of 2008 and the end of the 2011 biennium because 53 employees (70 percent of the total program workforce) will be eligible for retirement in the 2011 biennium. The division presently estimates that five employees will retire in the 2011 biennium with an anticipated compensated absence liability of $40,740. Consequentially, BSFD is taking steps for capacity-building, cross-training and knowledge-sharing.

Fixed Costs

BFSD is the centralized business center for the agency with fixed costs annually comprising a large portion of operating expenditures. Total projected statewide present law expenditures for this biennium are about $5 million each year, with the fixed costs and inflation/deflation components accounting for $4 million of that amount.

The decrease in fixed costs of over $300,000 in FY 2011 is primarily due to the biennial appropriation for the Legislative Audit costs that appears only in FY 2010.

DP 60008 - Restore Overtime and Holidays Worked in FY 2008 – The executive requests about $6,700 over the biennium to restore overtime, compensated time, and holiday hours worked that were removed because these expenses are subject to zero-based budgeting and eliminated from base year funding. The request would be funded $2,800 general fund, $600 state special revenue, and $3,300 federal funds over the biennium.

New Proposals

New Proposals		Fiscal 2010					Fiscal 2011			
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 60002 - Temporary Services for Vital Statistics										
06	0.00	7,845	8,639	0	16,484	0.00	7,845	8,639	0	16,484
DP 60003 - Reimbursement Section FTE										
06	1.00	47,950	0	0	47,950	1.00	45,189	0	0	45,189
DP 60004 - Internal Controls FTE										
06	2.00	34,355	13,332	40,302	87,989	2.00	59,663	23,153	69,992	152,808
Total	3.00	$90,150	$21,971	$40,302	$152,423	3.00	$112,697	$31,792	$69,992	$214,481

LFD COMMENT

The following three new proposals request support for the vital statistics office, and additional FTE for the institutional reimbursement sections and internal business controls that have been mentioned earlier. All three requests relate to the division's goals, anticipated improvements, and some items mentioned in the audits. The division has included goals with its requests for the FTE. The goals can be seen in DPs 60003 and 60004 below. There is not a goal for the request for support for the vital statistics office.

The legislature may wish to consider:

- Having the division add a measurement to its goal that would track improvements made in the vital statistics office as a result of adding the requested temporary assistance, should the legislature approve the request
- Recommending that the goals included in the following justifications be monitored by the LFC during the 2009-10 interim

DP 60002 - Temporary Services for Vital Statistics - The executive requests $33,968 over the biennium to fund a temporary services contract for the vital records section of the BFSD. This contract would assist with corrections and microfilm maintenance of birth and death records, services to county clerks and recorders including distribution of security paper for printing certificates, and data entry for adoption records. The request is funded with $15,690 general fund and $17,278 from the vital statistics fee fund.

LFD COMMENT	As noted in the earlier discussion of the vital statistics fees fund, there is sufficient funding for the Governor's projected budget. This request is included on the personal services line of Governor's HB 2 budget in vital statistics fees fund balance table, in Figure 28.

DP 60003 - Reimbursement Section FTE - The Governor requests $93,139 general fund for the biennium to fund 1.00 FTE in the Institutional Reimbursement Section of BFSD to supervise and assist with the financial investigation and collection processes for residents at the DPHHS institutions.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: This position is needed to supervise and assist with the financial investigation and collection processes for residents at the DPHHS Institutions (Montana State Hospital MSH, Montana Developmental Center MDC, Montana Chemical Dependency Center MCDC, Mental Health Nursing Care Center MHNCC, and Montana Veteran's Home in Columbia Falls). The additional 1.00 FTE is expected to provide an effective return on investment through follow-up with residents to gather and analyze financial information; determine ability to pay by the residents or their resources; interface with the Institutional Reimbursement Section's billing staff to bill Medicare, Medicaid, insurance and other resources of the residents. The Institutional Reimbursement Section generates approximately $19 - $20 million annually in reimbursements that are used in part to make payments on MSH and MDC bonds, and to deposit the balance received as revenue to the general fund.

Goal: Improve the effectiveness and timeliness of the financial investigation and collection processes for residents at the DPHHS Institutions.

Performance Criteria: 1) The determination of a resident's ability to pay through private insurance, Medicaid, Medicare, Disability Social Security, or Veteran's benefits, and billing the resident should be completed within 90 days; and 2) Responding to questions from the institutions mentioned above regarding a resident's statement or claim should be completed within 30 days.

Milestones: Activities will be measured at the end of each fiscal year beginning with FY 2009.

Risk: The risk would be the potential loss of general fund revenue to fund costs at the DPHHS's institutions.

DP 60004 - Internal Controls FTE - The Governor requests $0.2 million over the biennium for:

- $165,000 in salaries for 2.00 FTE in the business services bureau to enhance internal controls over the fiscal operations of the department;
- $70,000 in contracted services for an internal audit review of the internal control structure and data systems, to provide training to department staff in internal controls and fraud detection, and for assistance in preparing a continuous improvement plan for managing collections and receivables activities; and
- $6,000 for equipment and computer hardware.

The total funding of $240,797 includes $94,018 general fund, $36,485 state special revenue, and $110,294 federal funds.

Justification: One FTE would be lead accountant over the accounts receivable section to enhance internal controls over collections, receivables, and department assets. This position would provide for greater separation of duties over receipting, depositing, recording, reporting and reconciling in the accounts receivable section.

One FTE will provide internal controls over system development. This position would participate in the design, development and enhancement of department database systems by providing guidance on effective internal controls, including adequate documentation trails for audit purposes, budgeting and expenditure processing, reporting and

reconciliation with department subsystems, and coordinating payment and receipting features in the systems with other department systems and SABHRS.

Contracted services would: 1) obtain internal audit review of the division's internal control structure and data system; 2) provide training to department staff in internal controls and fraud detection; and 3) obtain assistance in preparation of a continuous improvement plan for managing collections and receivables activities.

Goal: Enable continuous improvement in the DPHHS internal control environment by maintaining an internal control structure that promotes efficient and documented compliance with applicable laws and regulations and encouraging business processes that enhance the effectiveness and efficiency of department operations.

Performance Criteria: The objective will be measured by identification of the major financial processes at the beginning of the 2011 biennium, and conducting a risk assessment and mitigation process each year.

Milestones: The objective is met when 100 percent of identified major financial processes are assessed and mitigation activities are completed.

Risk: Major system development without planning and oversight for fiscal and internal control functionality could leave the department vulnerable to risk in providing payments, benefits and service resources to the right people, at the right time, and in the right amount. There is also a risk to the state in timeliness and internal controls over the receivables and collections process.

LFD COMMENT

Should the legislature opt to include the goal for DP 60004 as one to be monitored during the interim by the LFC, it may wish to consider having the division address the monitoring and time frame comments mentioned in the goals and objectives sections at the beginning of the program narrative.

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	183.02	183.02	184.02	184.02	183.02	184.02	1.00	0.55 %
Personal Services	9,107,427	10,672,933	10,736,692	10,767,860	19,780,360	21,504,552	1,724,192	8.72 %
Operating Expenses	12,661,462	15,024,004	13,160,809	13,673,903	27,685,466	26,834,712	(850,754)	(3.07%)
Equipment & Intangible Assets	333,976	248,562	483,976	483,976	582,538	967,952	385,414	66.16 %
Grants	23,031,012	23,728,245	24,379,972	24,429,972	46,759,257	48,809,944	2,050,687	4.39 %
Benefits & Claims	13,964,291	12,869,089	16,257,546	17,321,999	26,833,380	33,579,545	6,746,165	25.14 %
Total Costs	**59,098,168**	**62,542,833**	**65,018,995**	**66,677,710**	**121,641,001**	**131,696,705**	**10,055,704**	**8.27 %**
General Fund	2,647,706	2,407,009	3,367,252	3,421,984	5,054,715	6,789,236	1,734,521	34.31 %
State Special	15,984,548	17,003,540	17,796,087	17,823,744	32,988,088	35,619,831	2,631,743	7.98 %
Federal Special	40,465,914	43,132,284	43,855,656	45,431,982	83,598,198	89,287,638	5,689,440	6.81 %
Total Funds	**59,098,168**	**62,542,833**	**65,018,995**	**66,677,710**	**121,641,001**	**131,696,705**	**10,055,704**	**8.27 %**

Program Description

Program Description - The mission of the Public Health and Safety Division (PHSD) is to improve the health of Montanans to the highest possible level. The division provides a wide range of public health services to individuals and communities that are aimed at prevention of disease and promotion of health. Services are provided through nearly 400 contracts with a broad range of private and public providers, including local and tribal public health departments, clinics, hospitals and other community-based organizations. Programs administered by the division include, but are not limited to:

- Clinical and environmental laboratory services;
- Chronic and communicable disease prevention and control;
- Maternal and child public health services;
- Public health emergency preparedness;
- Women's, Infants and Children's Special Nutrition Program (WIC);
- Food and Consumer Safety;
- Tobacco cessation and prevention programs; and
- Emergency Medical Services.

Statutory authority for public health functions is in Title 50, MCA, including local public health activities. Rules concerning public health programs are in Title 37 of the Administrative Rules of Montana. Specific citations include: Maternal and Child Health Title 50, Chapter 1 and Chapter 19, MCA, and Title V of the Social Security Act; Family Planning Title X of the federal Public Health Service Act and 42 CFR, Subpart A, Part 59; WIC P. L. 95-627, Child Nutrition Act of 1966, and 7 CFR, Part 246

Program Highlights

Public Health and Safety Division
Major Budget Highlights

- The Public Health and Safety Division 2011 budget request is approximately $10 million or 8.3 percent higher when compared to the 2009 biennium. The increases include:
  - $1.7 million in general fund including $0.7 million to offset public health and environmental laboratory costs
  - $2.6 million in state special revenues of which $1.0 million is from tobacco settlement interest

- $5.6 million in federal funds, mainly for a projected $5.0 million increase to the federal WIC program

Major LFD Issues

- ♦ $1.1 million in general fund savings could be realized by switching funding for program costs to tobacco cessation and prevention funds available for legislative appropriation
- ♦ Objectives provided to attain the division's goal to improve the health of Montanans to the highest possible level do not provide sufficient information for the 2009 Legislature to formulate an appropriations policy for the PHSD

Program Narrative

The Public Health and Safety Division 2011 budget request is approximately $10.0 million or 8.3 percent higher when compared to the 2009 biennium. The increases include:

- o $1.7 million in general fund including $0.7 million to offset public health and environmental laboratory costs, $0.5 million to support statewide present laws adjustments, and $0.2 million to offset increases in contraceptive costs
- o $2.6 million in state special revenues of which $1.0 million is from tobacco settlement interest. Increases include $0.4 million for vaccinating young adults, $0.3 million to support reporting on hospital discharges information, and $1.3 million to support statewide present law adjustments
- o $5.6 million in federal funds, mainly for a projected $5.0 million increase to the federal WIC program

The PHSD reorganized in FY 2007. As a result, the Public Health System Improvement and Preparedness Bureau was eliminated. The system improvement functions included in the bureau were transferred to the Division Administration Bureau. PHSD also created the Office of Public Health Emergency Preparedness and Training (office) under the division administrator to continue implementing Center for Disease Control (CDC) grant requirements in relation to public health emergency preparedness and public health training.

The 2007 Legislature passed a major revision of public health laws during the session. To enhance understanding of the revisions and increase compliance with the changes, PHSD developed a training program for county public health offices around Montana. PHSD staff visited the majority of the county health offices during the end of FY 2008 and the beginning of FY 2009 as part of the training program.

Goals and Objectives

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriation deliberations the Legislative Fiscal Division (LFD) recommends the legislature review the following:

- o Goals, objectives, and year-to-date outcomes from the 2009 biennium
- o Goals and objectives and their correlation to the 2011 biennium budget request

<u>2009 Biennium Major Goals</u>

The following provides an update of the major goals monitored by the Legislative Finance Committee (LFC) during the 2009 interim.

The Legislative Finance Committee reviewed five separate goals for the PHSD. They included:

- o Reduce the burden of chronic disease, injury, and trauma in Montana
- o Reduce the incidence of communicable disease in Montana citizens through efforts in prevention, treatment, surveillance, and epidemiology
- o Provide programs and services to improve the health of Montana's women, children, and families

- o Reduce communicable disease in Montana through a surveillance system based on public health laboratory disease diagnosis and assessment
- o A strong and prepared public health system that provides a foundation to respond to emergencies with a well-trained workforce.

A discussion of the measurable objectives selected to measure the goals during the 2009 biennium, the successes, and challenges is presented in the narrative section of each subprogram.

<u>2011 Biennium Major Goals</u>

PHSD is required by law to submit goals and measurable objectives as part of the budgeting process. The LFD recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim. The PHSD submitted one goal for the 2011 biennium – Improve the health of Montanans to the highest possible level. The goal has a number of objectives and proposed measurements included that relate to the various bureaus within the division. A discussion of the objectives, proposed measurements, and LFD issues is provided in the narrative section of the related bureaus.

LFD ISSUE

Objectives Do Not Provide Sufficient Information to Formulate Appropriations Policy

Overall the objectives provided to attain the division's goal to improve the health of Montanans to the highest possible level do not provide sufficient information for the 2009 Legislature to formulate an appropriations policy for the PHSD. PHSD submitted specific, quantifiable objectives for consideration by the 2007 Legislature. The objectives included several outcomes which improved the overall health of Montanans. The specific objectives used for the 2009 biennium are provided in the narrative sections on the subprograms charged with ensuring the measurements were attained or determining the challenges to overcome to attain the measurements in future biennia. Based on the provided measurable objectives, the 2007 Legislature appropriated a total of $128.2 million in funds to PHSD.

The objectives and proposed measurements submitted as part of the 2011 biennium budget uniformly do not provide sufficient specific quantifiable information for the legislature to develop an appropriations policy for the request budget of $131.7 million. Public health measurements are established on a national level. The Office of Disease Prevention and Health Promotion within the U.S. Department of Health and Human Services established the Healthy People 2010 goals to increase quality and years of health life and eliminate health disparities in the first decade of the 21st century. PHSD has access to the specific, measureable objectives included in the program as it included them as part of its measurable objectives presented to the 2007 Legislature.

The Joint Appropriations Subcommittee on the Department of Public Health and Human Services may wish to request that the PHSD revise its proposed objectives to included specific, measurable objectives for its programs:

- o As outlined by the U.S. Department of Health and Human Services for the Healthy People 2010 goals; or
- o Based on program evaluations completed during the 2009 interim that provide specific, measurable objectives for the 2011 biennium.

Issues identified with the objectives proposed for each of the bureaus in PHSD are discussed in the narrative sections.

<u>Additional Interim Committee Review of PHSD Programs</u>

The Children, Families, Health, and Human Services Interim Committee (CFHHIC) conducted a study of emergency medical services (EMS) in Montana to determine the issues that communities face and to identify strategies for ensuring services remain in place throughout the state as part of Senate Joint Resolution 5. Emergency medical services are provided as part of the functions of the PHSD Chronic Disease Prevention and Health Promotion Bureau. CFHHIC approved seven committee bills designed to help with recruitment, retention, and cost issues for volunteer EMS providers and to clarify existing statutes related to the state agencies overseeing EMS activities. The committee bills provide for the following:

- o Creating a special license plate for volunteer emergency medical technicians and providing a tax credit for volunteer emergency medical technician license plates

- Establishing the nonemergency ambulance transport act which establishes nonemergency and certain emergency ambulance transports
- Providing tax incentives to volunteer emergency medical technicians and their employers
- Creating a grant program for emergency medical service providers; establishing eligibility requirements and review criteria; creating a grant review committee; authorizing DPHHS to adopt rules; transferring $1 million from the highway nonrestricted account; and providing for a statutory appropriation
- Providing for an evaluation of emergency medical service run reviews for quality improvement purposes and providing for establishment of standards for run reviews in EMS council meetings; requiring confidentiality of medical run review data
- Clarifying medical direction for emergency medical services, and handling of complaints related to prehospital and interhospital emergency care

Emergency medical services are budgeted within the Chronic Disease Prevention and Health Promotion Bureau. Grants proposed in the committee bills would be administered by this bureau.

Summary of Division Base Budget Compared to Executive Request by Function

Figure 29 shows the FY 2008 base budget expenditures compared to the 2011 biennium request by function of PHSD.

Figure 29
FY 2008 Base Budget Expenditures
Compared to the 2011 Biennium

	FY 2008 Base Budget				% of	FY 2010 Executive Request				% of	FY 2011 Executive Request				% of
Major Function Grants and Benefits	Genl Fund	SSR	Federal	Total	Total	Genl Fund	SSR	Federal	Total	Total	Genl Fund	SSR	Federal	Total	Total
Major Function															
Division Administration	$233,800	$325,100	$1,324,949	$1,883,849	3.19%	$284,329	$532,493	$1,472,872	$2,289,694	3.52%	$286,246	$533,761	$1,477,901	$2,297,908	3.45%
Chronic Disease Prev/Hlth Prom	607,754	10,905,233	6,371,813	17,884,800	30 26%	616,761	11,219,585	6,881,535	18,717,881	28.79%	668,803	11,223,471	6,884,051	18,776,325	28.16%
Family & Community Health	560,459	1,536,295	19,967,704	22,064,458	37.34%	1,058,755	1,915,491	22,103,567	25,077,813	38.57%	1,058,881	1,915,529	23,674,609	26,649,019	39.97%
Community Disease Control & Prev	714,089	836,075	3,798,487	5,348,651	9.05%	895,799	1,326,445	4,132,911	6,355,155	9.77%	896,445	1,326,728	4,138,347	6,361,520	9.54%
Laboratories	531,604	2,381,845	686,887	3,600,336	6.09%	511,608	2,802,073	951,804	4,265,485	6.56%	511,609	2,824,255	938,052	4,273,916	6.41%
Office of Public Health Emergency Preparedness & Training	0	0	8,316,074	8,316,074	14.07%	0	0	8,312,967	8,312,967	12.79%	0	0	8,319,022	8,319,022	12.48%
Total Division Budget	$2,647,706	$15,984,548	$40,465,914	$59,098,168	100.00%	$3,367,252	$17,796,087	$43,855,656	$65,018,995	100.00%	$3,421,984	$17,823,744	$45,431,982	$66,677,710	100.00%
Percent of Total	4.48%	27.05%	68.47%	100.00%		5.18%	27.37%	67.45%	100.00%		5.13%	26.73%	68.14%	100.00%	
Grants															
Women, Infants and Children	$0	$0	$3,496,201	$3,496,201	5.92%	$0	$0	$3,496,201	$3,496,201	5.38%	$0	$0	$3,496,201	$3,496,201	5.24%
Emergency Systems Preparedness	0	0	5,723,008	5,723,008	9.68%	0	0	5,723,008	5,723,008	8.80%	0	0	5,723,008	5,723,008	8.58%
Women and Men's Health	0	0	1,779,063	1,779,063	3.01%	500,000	0	1,779,063	2,279,063	3.51%	500,000	0	1,779,063	2,279,063	3.42%
Maternal/Child Health Grnt	0	0	2,065,004	2,065,004	3.49%	0	0	2,065,004	2,065,004	3.18%	0	0	2,065,004	2,065,004	3.10%
Tobacco Control and Prevention	0	5,127,051	0	5,127,051	8.68%	0	5,127,051	0	5,127,051	7.89%	0	5,127,501	0	5,127,501	7.69%
AIDS Prevention/Treatment	0	0	967,965	967,965	1.64%	0	0	967,965	967,965	1.49%	0	0	967,965	967,965	1.45%
Chronic Disease Programs	0	542,604	0	542,604	0.92%	0	916,564	0	916,564	1.41%	0	916,564	0	916,564	1.37%
Cancer Control	0	1,053,303	389,578	1,442,881	2.44%	0	1,053,303	389,578	1,442,881	2.22%	0	1,053,303	389,578	1,442,881	2.16%
Subtotal Grants	$0	$6,722,958	$14,420,819	$21,143,777	35.78%	$500,000	$7,096,918	$14,420,819	$22,017,737	33.86%	$500,000	$7,097,368	$14,420,819	$22,018,187	33.02%
Percent of Total Grants	0%	29.19%	62.61%	91.81%		2.05%	29.11%	59.15%	90.31%		2.05%	29.05%	59.03%	90.13%	
% of Total Division Budget	0.00%	11.38%	24.40%	35.78%		0.77%	10.92%	22.18%	33.86%		0.75%	10.64%	21.63%	33.02%	
Benefits															
Women, Infants, and Children	$0	$0	$9,787,784	$9,787,784	16.56%	$0	$0	$11,767,039	$11,767,039	18.10%	$0	$0	$12,831,492	$12,831,492	19.24%
Genetics	0	993,019	0	993,019	1.68%	0	993,019	0	993,019	1.53%	0	993,019	0	993,019	1.49%
Tobacco Control and Prevention	0	896,699	0	896,699	1.52%	0	896,699	0	896,699	1.38%	0	896,699	0	896,699	1.34%
Maternal and Child Health Grnt	0	0	187,350	187,350	0.32%	0	0	187,350	187,350	0.29%	0	0	187,350	187,350	0.28%
Chronic Disease	0	261,891	0	261,891	0.44%	0	261,891	0	261,891	0.40%	0	261,891	0	261,891	0.39%
Subtotal Grants	$0	$2,151,609	$9,975,134	$12,126,743	20.52%	$0	$2,151,609	$11,954,389	$14,105,998	21.70%	$0	$2,151,609	$13,018,842	$15,170,451	22.75%
Percent of Total Benefits	0.00%	15.41%	71.43%	86.84%		0.00%	13.23%	73.53%	86.77%		0.00%	12.42%	75.16%	87.58%	
% of Total Division Budget	0.00%	3.64%	16.88%	20.52%		0.00%	3.31%	18.39%	21.70%		0.00%	3.23%	19.53%	22.75%	

Division administration is responsible for the overall management of PHSD. Its budget accounts for slightly more than 3 percent of the total FY 2011 biennial budget request. The majority of the division administrative budget functions are cost allocated among all division subprogram functions. The Libby asbestos screening project is managed in the Division Administration Program and is funded using federal grant funds. Division administration's budget increases approximately $0.4 million each year of the biennium. Over half of the increase is from statewide present law adjustments. Another $150,000 each year is appropriated from tobacco settlement funds. See the Division Administration Sub Program narrative for a discussion on the use of these funds.

The Chronic Disease Prevention and Health Promotion Bureau budget is about 28 percent of the proposed budget in the 2011 biennium, increasing almost $1.0 million annually. The bureau administers tobacco prevention and control, cancer control, diabetes, cardiovascular health, asthma, nutrition and physical activity section, and the emergency medical services and trauma system section. The 2007 Legislature increased the bureau's funding by $5.4 million over the biennium to implement chronic disease programs to reduce the burden of tobacco-related disease. The additional funds were used for primary prevention of diabetes and heart disease, acute stroke care in rural Montana, comprehensive cancer control, and asthma surveillance and control projects. The majority of the increases over the 2011 biennium are for statewide present law adjustments funded through state and federal special revenues. The executive proposes increasing federal special revenues to support a cooperative agreement with the Centers for Disease Control for a nutrition and physical activity program.

The Family and Community Health Bureau accounts for almost 40 percent of the division budget request. The major programs in this bureau include women, infants, and children nutrition (WIC), women and men's health, infant, child and maternal health including the MIAMI program, maternal and child health data monitoring, and the children's special health section encompassing newborn screening and genetics. This bureau also administers contracts with local governments and contractors that provide maternal and child health services funded by the maternal and child health grant. The executive proposes increases of $3.8 million in FY 2010 and $4.5 million in FY 2011 when compared to the FY 2008 base. The most significant increases result from:

- A new proposal to increase federal WIC funding by $3.0 million in FY 2010 and $4.5 million in FY 2011
- Statewide present law adjustments that account for $0.5 million of the increase over the biennium
- Support of $1.0 million over the biennium to offset the higher costs of contraceptives
- Additional federal Medicaid authority of $0.5 million in FY 2011 to establish a Family Planning Waiver program

Communicable Disease Control and Prevention Bureau comprises about 10 percent of the PHSD proposed biennial budget. Major responsibilities include food and consumer safety, communicable diseases and epidemiology/tuberculosis control section, immunization, and sexually transmitted disease and AIDS prevention and monitoring. Major biennial changes to the proposed budget include:

- $1.0 million in statewide present law adjustments funded with a combination of general fund, state special revenue, and federal special revenue
- $0.8 million to vaccinate adolescents against whooping cough, meningitis, hepatitis B, genital warts, and cervical cancer

Laboratory Services Bureau functions are slightly more than 6 percent of the proposed budget in the 2011 biennium. The laboratory includes both the environmental and public health laboratories and the biomonitoring function. During FY 2008 DPHHS transferred general fund appropriation authority between divisions as allowed by statute. A transfer of $1.2 million supported additional remodeling of the laboratory and operating costs for the environmental laboratory because fee income was insufficient. Previous costs for this ongoing remodeling project were funded through the federal bioterrorism grant and approved through the long range building program. Increases in statewide present law adjustments are almost entirely offset by removal of $0.35 million in general fund each year for the portion of the appropriation transfer included in the FY 2008 base for operating expenses of the environmental laboratory. The executive proposes:

- Increasing federal special revenues by $0.4 million over the biennium to integrate clinical laboratories into public health testing

- o Restoring $0.7 million in general fund to support operating expenses in the laboratory, including equipment replacement

The 2007 Legislature included a one-time only $1.5 million general fund appropriation to support grants to county health boards in counties with a proliferation of tremolite asbestos-related diseases. PHSD granted $0.75 million of the funds in FY 2008 to the Lincoln County Health Department. Since the legislature appropriated the funds further resolution for the victims of Libby asbestos has occurred including that in:

- o April 2008, W.R. Grace agreed to pay $250 million into a trust for the victims of tremolite asbestos related diseases, with additional payments to follow. The bankruptcy judge for W.R. Grace must agree to the proposed settlement
- o July 2008, the U.S. Department of Health and Human Services and the U.S. Environmental Protection Agency announced the Libby Amphibole Health Risk Initiative, an $8 million project over 5 years to understand the health effects of exposure to lower levels of Libby, Montana asbestos

The Office of Public Health Preparedness and Training is more than 12 percent of the overall division budget in the 2011 biennium and provides for almost 9 percent of the grants included in the proposed budget. Funding for the office is provided almost entirely by the CDC federal bioterrorism hospital preparedness and bioterrorism grants. The budget for the office remains almost flat over the biennium when compared with FY 2008.

Over 62 percent ($82 million) of the 2011 biennial budget supports grants and services (benefits) to individuals. This is approximately the same percentage as FY 2008. The largest component of these expenditures is for the WIC program, with a combined total of $31.6 million in grants and benefits included in the 2011 biennium. The WIC program provides vouchers for food for low-income children under age 5 and for nursing mothers. 2011 biennium grants for emergency preparedness to local governments and hospitals are the largest grant source with $11.4 million proposed. Tobacco control and prevention are the third highest source for support of grant expenditures with $10.3 million requested by the executive for the biennium. The program grants funds to county, tribal, and urban Indian community-base programs, Addictive and Mental Disorders Division, Office of Public Instruction, and the Montana University System to address issues associated with tobacco use prevention and cessation.

Funding
The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the executive.

Program Funding Table
Public Health & Safety Div.

Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	$ 2,647,706	4.5%	$ 3,367,252	5.2%	$ 3,421,984	5.1%
01100 General Fund	2,647,706	4.5%	3,367,252	5.2%	3,421,984	5.1%
02000 Total State Special Funds	15,984,548	27.0%	17,796,087	27.4%	17,823,744	26.7%
02199 Dhes Food & Consumer	12,264	0.0%	14,997	0.0%	14,997	0.0%
02366 Public Health Laboratory	2,381,845	4.0%	2,802,073	4.3%	2,824,255	4.2%
02379 02 Indirect Activity Prog 07	251,179	0.4%	308,572	0.5%	309,840	0.5%
02462 Food/Lodging License	823,811	1.4%	827,448	1.3%	827,731	1.2%
02512 Brfs Survey Fees	73,921	0.1%	73,921	0.1%	73,921	0.1%
02544 6901-Welch'S Cost Relief Gran	4,216	0.0%	4,216	0.0%	4,216	0.0%
02765 Fees On Insurance Policies - Sb 275	1,031,947	1.7%	1,106,167	1.7%	1,106,208	1.7%
02772 Tobacco Hlth & Medicd Initiative	25,685	0.0%	25,684	0.0%	25,684	0.0%
02773 Childrens Special Health Services	167,775	0.3%	367,767	0.6%	367,766	0.6%
02790 6901-Statewide Tobacco Sttlmnt	10,905,233	18.5%	11,244,585	17.3%	11,248,471	16.9%
02987 Tobacco Interest	306,672	0.5%	1,020,657	1.6%	1,020,655	1.5%
03000 Total Federal Special Funds	40,465,914	68.5%	43,855,656	67.5%	45,431,982	68.1%
03004 Ems Data Injury	106,608	0.2%	106,518	0.2%	106,508	0.2%
03020 Ph Workforce Development	18,412	0.0%	75,950	0.1%	76,337	0.1%
03026 Family Planning Title X	2,091,574	3.5%	2,100,531	3.2%	2,101,673	3.2%
03027 Wic (Women,Infants & Children)	10,882,288	18.4%	12,861,253	19.8%	13,925,676	20.9%
03030 Health Prevention & Services	537,282	0.9%	536,454	0.8%	536,661	0.8%
03031 Maternal & Child Health	2,495,635	4.2%	2,571,026	4.0%	2,574,278	3.9%
03057 Newborn Hearing Screening	245,099	0.4%	264,854	0.4%	264,884	0.4%
03074 Obesity Prevention	441,974	0.7%	835,838	1.3%	835,828	1.3%
03085 Yth/Yng Adult Suicide Prv 93.243	487,984	0.8%	487,936	0.8%	487,931	0.7%
03146 10.577 Wic Bf Peer Counseling	58,955	0.1%	58,953	0.1%	58,953	0.1%
03159 Tuberculosis Grant	96,824	0.2%	223,947	0.3%	224,294	0.3%
03208 Abstinence Education Blk Grant	(41)	0.0%	-	-	-	-
03246 Wic Admin	3,235,974	5.5%	3,336,900	5.1%	3,339,104	5.0%
03247 Maiw Regional Health Conf	13,542	0.0%	13,541	0.0%	13,541	0.0%
03253 Homeland Security Program	104,355	0.2%	104,266	0.2%	104,257	0.2%
03258 Diabetes Control	515,572	0.9%	535,460	0.8%	535,449	0.8%
03273 Primary Care Services	86,458	0.1%	86,478	0.1%	86,449	0.1%
03274 Ryan White Act, Title Ii	851,761	1.4%	893,096	1.4%	893,673	1.3%
03275 Adult Viral Hepatitus Prevent	16,333	0.0%	16,327	0.0%	16,326	0.0%
03336 Food Inspection Program	38,226	0.1%	45,917	0.1%	47,016	0.1%
03362 Data Integration	82,312	0.1%	82,263	0.1%	82,262	0.1%
03370 Epi & Lab Surveillance E. Coli	579,163	1.0%	629,136	1.0%	635,789	1.0%
03383 Search Grant	111,255	0.2%	111,216	0.2%	111,243	0.2%
03448 6901-Early Childhood Comp Sys	63,890	0.1%	63,885	0.1%	63,885	0.1%
03451 69010-Cdp For Brfs	121,662	0.2%	121,662	0.2%	121,662	0.2%
03461 6901- Childrens Oral Hlth Care	8,674	0.0%	8,673	0.0%	8,673	0.0%
03477 Clinical Lab - Public Health Testin	-	-	199,542	0.3%	199,542	0.3%
03510 Heart Disease & Stroke Program	965,059	1.6%	992,659	1.5%	993,979	1.5%
03580 6901-93.778 - Med Adm 50%	-	-	-	-	500,000	0.7%
03596 03 Indirect Activity Prog 07	837,988	1.4%	984,448	1.5%	988,665	1.5%
03681 6901-Mt Fd Safe Adv Cncl93.103	69,262	0.1%	79,260	0.1%	79,259	0.1%
03683 6901-Biomonitoring	38,462	0.1%	43,866	0.1%	23,462	0.0%
03686 6901-Adult Lead	917	0.0%	917	0.0%	1,096	0.0%
03689 6901-Bioter Hosp Preparedness	2,575,786	4.4%	2,556,451	3.9%	2,558,227	3.8%
03690 6901-Rape Prev & Educ 93.126	111,682	0.2%	111,672	0.2%	111,671	0.2%
03697 6901-Cardiovascular Hlth Prgm	-	-	-	-	-	-
03698 6901-Ems Prev Fire Related Inj	26,999	0.0%	26,976	0.0%	26,974	0.0%
03708 6901-Libby Asbestos Screening	285,059	0.5%	287,154	0.4%	287,740	0.4%
03709 6901-Rural Access Emerg Device	178,301	0.3%	189,317	0.3%	189,478	0.3%
03711 6901-Breast & Cervical Cancer	2,093,405	3.5%	2,138,065	3.3%	2,138,877	3.2%
03712 6901-Cancer Registries 93.283	175,826	0.3%	175,813	0.3%	175,812	0.3%
03713 6901-Wic Farmer Market 10.572	48,044	0.1%	-	-	-	-
03788 Montana Disability And Health Progr	358,252	0.6%	358,252	0.6%	358,252	0.5%
03822 Tobacco Control	931,155	1.6%	944,236	1.5%	944,518	1.4%
03929 Seroprevalence/Surveillance	26,859	0.0%	26,857	0.0%	26,857	0.0%
03936 Vaccination Program	1,132,258	1.9%	1,215,567	1.9%	1,217,658	1.8%
03937 Std Program	231,606	0.4%	265,303	0.4%	265,874	0.4%
03938 Aids Fed. Cat. #13.118	1,227,090	2.1%	1,268,397	2.0%	1,268,972	1.9%
03959 Bioterrorism	5,647,119	9.6%	5,605,826	8.6%	5,609,720	8.4%
03979 Comprehensive Cancer Control	213,014	0.4%	212,998	0.3%	212,997	0.3%
Grand Total	$ 59,098,168	100.0%	$ 65,018,995	100.0%	$ 66,677,710	100.0%

PHSD is funded by a combination of general fund, state, and federal special revenue funds. General fund supports about 5 percent of the executive's proposed budget. State special revenue funds about 27 percent of the budget request and federal special revenues make up 68 percent.

General fund supports division administration, public health planning, cancer control, emergency medical services, MIAMI program, women and men's health, food and consumer safety, public health laboratory, AIDS prevention, and communicable disease control. General fund provides support for 5.15 percent of the proposed budget in the 2011 biennium, an increase from the 4.16 percent in the 2009 biennium.

State special revenue continues to provide approximately 27 percent of the funding support for the 2011 biennium proposed budget. Sources of the funding include tobacco settlement funds supporting tobacco use prevention and cessation and chronic disease programs, tobacco settlement trust interest supporting public home health visiting, and emergency medical services. Additional sources include public health laboratory fees, food and lodging licenses, insurance policy fees supporting the genetics program and reimbursements for children's special health services.

LFD COMMENT

In the 2011 biennium, the fund balance in the tobacco settlement funds allocated to prevention and cessation programs is estimated to increase almost $3.0 million by the end of FY 2011. According to statute, 32 percent of the tobacco settlement money may only be used for tobacco prevention and cessation programs designed to prevent children from starting tobacco use and to help adults who want to quit tobacco use. These funds are deposited to a state special revenue account for this purpose. Any funds not appropriated from the state special revenue accounts within 2 years of receipt are deposited into the tobacco settlement trust fund. The executive budget does not appropriate the entire amount of the projected revenues to tobacco prevention activities. See Chronic Disease Prevention and Health Promotion Bureau and Family and Community Health Bureau for discussion on potential areas for additional legislative appropriation.

There are almost 50 federal funding sources listed in the division funding table, including 2 federal block grants and more than 40 categorical grants that each have explicit programmatic and expenditure requirements. The vast majority of the federal grants require the division to report on performance measurements as part of the grant requirements. In most cases the purpose of the grant can be determined from its name.

The largest federal grant funds the WIC program, which accounts for $33.5 million of the 2011 biennial budget request. Federal funds supporting the emergency preparedness activities are the next significant federal grant funds source, accounting for $16.3 million or 18.3 percent of the 2011 biennium federal special revenue request.

Two federal block grants account for 4.7 percent of the PHSD 2011 biennium budget request for federal appropriation authority. They are the Maternal Child Health (MCH) block grant ($2.6 million annually) and the Preventative Health block grant ($0.5 million annually). These block grants support a variety of PHSD functions and are both allocated in consultation with division advisory councils. As a result, the allocation is usually some what different than anticipated in the budget request and without specific legislative restrictions, can also be different than the legislative appropriation.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	2,647,706	2,647,706	5,295,412	78.00 %	59,098,168	59,098,168	118,196,336	89.75 %
Statewide PL Adjustments	239,536	244,268	483,804	7.13 %	1,641,574	1,685,836	3,327,410	2.53 %
Other PL Adjustments	(349,990)	(349,990)	(699,980)	(10.31%)	2,011,751	3,076,204	5,087,955	3.86 %
New Proposals	830,000	880,000	1,710,000	25.19 %	2,267,502	2,817,502	5,085,004	3.86 %
Total Budget	**3,367,252**	**3,421,984**	**6,789,236**		**65,018,995**	**66,677,710**	**131,696,705**	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010 FTE	General Fund	State Special	Federal Special	Total Funds	Fiscal 2011 FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					2,017,326					2,049,707
Vacancy Savings					(444,988)					(446,288)
Inflation/Deflation					17,978					21,829
Fixed Costs					51,258					60,588
Total Statewide Present Law Adjustments					$1,641,574					$1,685,836
DP 70001 - Increased Federal Spending Authority For WIC	0.00	0	0	1,979,255	1,979,255	0.00	0	0	3,043,708	3,043,708
DP 70003 - Increased Authority for Children's Special Health	0.00	0	200,000	0	200,000	0.00	0	200,000	0	200,000
DP 70008 - Adolescent Immunization Outreach Program	0.00	0	0	57,486	57,486	0.00	0	0	57,486	57,486
DP 70011 - Authority for Laboratory to Cover Increased Expens	0.00	0	125,000	0	125,000	0.00	0	125,000	0	125,000
DP 70020 - Reduce Environmental Lab Base Budget	0.00	(349,990)	0	0	(349,990)	0.00	(349,990)	0	0	(349,990)
Total Other Present Law Adjustments	**0.00**	**($349,990)**	**$325,000**	**$2,036,741**	**$2,011,751**	**0.00**	**($349,990)**	**$325,000**	**$3,101,194**	**$3,076,204**
Grand Total All Present Law Adjustments					$3,653,325					$4,762,040

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- **Market Rate** – As of October 2008, PHSD estimates employees will be at 93 percent of the 2008 market survey, which is below the agency-wide target of 100 percent of market. PHSD makes exceptions from the agency policy on the market entry ratio of 80 percent and progressions to market for public health professionals. Candidates with masters in public health, sanitarians, nurses, dietitians, and emergency management specialists are hard to recruit within the current pay ranges.
- **Vacancy** – PHSD has difficulty recruiting and retaining laboratory specialists due to competition with private sector businesses. The Laboratory Bureau has completed classification reviews and made pay plan adjustments to address the issue. The vacancies resulted in increased workload and overtime for current staff that can increases risk of errors. Optional tasks are also not completed.

- **Legislatively applied vacancy savings** – Due to the difficulty in recruiting a number of the positions as evidenced by the number of positions requiring re-advertisement, the PHSD generated excess personal services vacancy savings above the legislatively applied vacancy savings amount.
- **Pay Changes** –Pay changes as negotiated with bargaining units were granted outside of those legislatively approved in HB 13. A majority of the increases were funded through federal grant appropriations, the remainder were funded through vacancy savings above the amount required by the legislature and transfers of operating expense appropriations.
- **Retirements** – The division anticipates 154 employees or 92 percent of its workforce will be eligible for retirement in the 2011 biennium. Based on current trends and projections it estimates that 16 employees will actually retire. The compensated absence liability associated with these retirements is $130,368.

New Proposals

New Proposals	Fiscal 2010					Fiscal 2011				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 70004 - Emergency Dept/Hosp Discharge Data Surveillance										
07	0.00	0	150,000	0	150,000	0.00	0	150,000	0	150,000
DP 70005 - Establish Injury Prevention Program										
07	1.00	0	125,000	0	125,000	1.00	0	125,000	0	125,000
DP 70006 - Fund Poison Control Hotline										
07	0.00	0	0	0	0	0.00	50,000	0	0	50,000
DP 70007 - Cont. 2009 Bien. Funds: Offset Contraceptive Costs										
07	0.00	500,000	0	0	500,000	0.00	500,000	0	0	500,000
DP 70013 - National Laboratory Systems (NLS) Grant										
07	0.00	0	0	199,542	199,542	0.00	0	0	199,542	199,542
DP 70014 - MT Health Professional Recruit/Reten Incentive Pgm										
07	0.00	0	75,000	0	75,000	0.00	0	75,000	0	75,000
DP 70015 - Increased Funding for HIV Treatment										
07	0.00	0	84,000	0	84,000	0.00	0	84,000	0	84,000
DP 70016 - Local WIC Farmer's Market Support										
07	0.00	0	30,000	0	30,000	0.00	0	30,000	0	30,000
DP 70019 - Adolescent Immunization										
07	0.00	0	400,000	0	400,000	0.00	0	400,000	0	400,000
DP 70021 - Nutrition and Physical Activity Program										
07	0.00	0	0	373,960	373,960	0.00	0	0	373,960	373,960
DP 70022 - Restore General Fund for Public Health Labs										
07	0.00	330,000	0	0	330,000	0.00	330,000	0	0	330,000
DP 70023 - Family Planning Waiver - Biennial										
07	0.00	0	0	0	0	0.00	0	0	500,000	500,000
Total	1.00	$830,000	$864,000	$573,502	$2,267,502	1.00	$880,000	$864,000	$1,073,502	$2,817,502

Sub-Program Details

PUBLIC HEALTH & SAFETY DIVISION 01

Sub-Program Proposed Budget

The following table summarizes the proposed executive budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011	Total Exec. Budget Fiscal 10-11
FTE	21.08	0.00	0.00	21.08	0.00	0.00	21.08	21.08
Personal Services	1,345,922	252,969	0	1,598,891	260,193	0	1,606,115	3,205,006
Operating Expenses	412,432	2,876	150,000	565,308	3,866	150,000	566,298	1,131,606
Benefits & Claims	125,495	0	0	125,495	0	0	125,495	250,990
Total Costs	**$1,883,849**	**$255,845**	**$150,000**	**$2,289,694**	**$264,059**	**$150,000**	**$2,297,908**	**$4,587,602**
General Fund	233,800	50,529	0	284,329	52,446	0	286,246	570,575
State/Other Special	325,100	57,393	150,000	532,493	58,661	150,000	533,761	1,066,254
Federal Special	1,324,949	147,923	0	1,472,872	152,952	0	1,477,901	2,950,773
Total Funds	**$1,883,849**	**$255,845**	**$150,000**	**$2,289,694**	**$264,059**	**$150,000**	**$2,297,908**	**$4,587,602**

Sub-Program Description

The Public Health and Safety Division Administration Bureau provides oversight and administrative support for the division's four bureaus and the Office of Public Health Preparedness and Training. The bureau is supported for the most part, through indirect cost recovery allocations applied to the expenses of the division bureaus and office through cost allocation. Included within the bureau functions are the Libby asbestos screening and surveillance grant and public health planning and improvement. The bureau also administers a Robert Wood Foundation grant received June 2008. The grant supports preparing Montana's public health system for national voluntary accreditation through workforce development and quality improvement.

Budget Summary By Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	233,800	233,800	467,600	81.95 %	1,883,849	1,883,849	3,767,698	82.13 %
Statewide PL Adjustments	50,529	52,446	102,975	18.05 %	255,845	264,059	519,904	11.33 %
Other PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	150,000	150,000	300,000	6.54 %
Total Budget	**284,329**	**286,246**	**570,575**		**2,289,694**	**2,297,908**	**4,587,602**	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010 FTE	General Fund	State Special	Federal Special	Total Funds	Fiscal 2011 FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					319,588					327,117
Vacancy Savings					(66,619)					(66,924)
Inflation/Deflation					892					1,038
Fixed Costs					1,984					2,828
Total Statewide Present Law Adjustments					**$255,845**					**$264,059**
Grand Total All Present Law Adjustments					**$255,845**					**$264,059**

New Proposals

New Proposals Sub Program	Fiscal 2010 FTE	General Fund	State Special	Federal Special	Total Funds	Fiscal 2011 FTE	General Fund	State Special	Federal Special	Total Funds
DP 70004 - Emergency Dept/Hosp Discharge Data Surveillance										
01	0.00	0	150,000	0	150,000	0.00	0	150,000	0	150,000
Total	**0.00**	**$0**	**$150,000**	**$0**	**$150,000**	**0.00**	**$0**	**$150,000**	**$0**	**$150,000**

DP 70004 - Emergency Dept/Hosp Discharge Data Surveillance - The executive proposes appropriations of $150,000 for each year of the biennium in tobacco settlement funds allocated to prevention and cessation programs. The funds support operational costs and contracted services to be provided by the Montana Hospital Association (MHA) to fully implement an emergency department and hospital discharge monitoring system within DPHHS. Availability of emergency department and hospitalization claims data is essential to monitor the health status of Montanans and to guide actions by the department and other health organizations to improve health and inform policy deliberations and legislation.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: Monitoring is critical to guide actions by the DPHHS and other health organizations to improve health and inform policy deliberations and legislation. There are a number of data sources available to help achieve this goal including vital records (births and deaths) and the cancer registry. The major gap in PHSD ability to effectively assess the health status of Montanans is the absence of timely, thorough, morbidity data. For example, the number of deaths due to unintentional poisoning in Montana has been increasing. Using death records PHSD can tell that this increase began in 1999, and that the use of prescription drugs is related to this increase. However, important morbidity data to investigate this problem for the general Montana population are not available. Availability of emergency department and hospitalization claims data could provide the missing morbidity data and is essential to monitor the health status of Montanans. DPHHS has worked with the existing hospitalization data maintained by the MHA for some of Montana hospitals. Limitations in the current form of MHA hospitalization data currently prohibit this type of investigation. The MHA and the participating hospitals have done a tremendous amount of work to establish a limited hospital discharge data system. However, a number of essential improvements to this system that would increase the quality and usefulness of both the hospital and emergency department data are needed. Information derived from this data will support the design and evaluation of prevention activities.

As with all public health monitoring data, this information would be analyzed in aggregate, maintaining individual patient confidentiality and strictly following federal and state standards such as HIPAA. DPHHS collects identifiers for other reportable conditions including communicable diseases and cancer and has had no issues or problems with maintaining patient confidentiality.

Program Outcomes: The goals of this proposal are to:

- Establish a statewide reporting of emergency department and hospital discharge data to DPHHS
- Conduct regular data analyses and disseminate reports to key stakeholders to guide actions by DPHHS and other health organizations to improve health and inform policy deliberations and legislation.

Outcome Measures: Progress toward meeting these goals will be achieved by meeting the following objectives.

- By June 2010, all hospitals in Montana (excluding federal and state hospitals) will submit hospital discharge data to DPHHS
- By June 2011, all hospitals in Montana (excluding federal and state hospitals) will submit emergency department discharge data to DPHHS
- Ongoing, DPHHS will publish and disseminate quarterly reports utilizing the emergency department and hospital discharge data to assess the health status of Montanans
- Ongoing, DPHHS staff for this program will work collaboratively with other state and local public health programs, and other health organizations to support the utilization of emergency department and hospital discharge data

Milestones: To achieve the objectives listed above the following activities will need to be completed:

- By September 2009, hire a qualified epidemiologist to manage the program
- By September 2009, establish administrative rules for this program
- Ongoing, work collaboratively with the Montana Hospital Association to coordinate data collection and reporting

FTE: DPHHS is requesting 1.00 FTE - Epidemiologist to manage this program. This position will be responsible for the overall management of the program including coordination between DPHHS and MHA, data analyses, technical report writing, and providing analytic support to other state and local public health programs, and other health organizations.

Funding: $150,000 is being requested to establish this program. The funding would support the FTE for the program, a contract with MHA to support data collection from hospitals in Montana, and the dissemination of quarterly technical reports from DPHHS utilizing these data sources.

LFD COMMENT

The executive proposes using tobacco settlement funds allocated to prevention and cessation programs to support this decision package. The 2007 Legislature approved including chronic disease programs to the definition of programs for tobacco disease prevention as recommended by CDC's Best Practices for Comprehensive Tobacco Control Programs – August 1999. Part of the purpose of the programs is to reduce the burden of tobacco-related diseases such as cancer, heart disease, and strokes. Tobacco use also worsens the effects of chronic diseases such as asthma and diabetes. Programs to address both asthma and diabetes were also approved. The legislature accepted the division's proposal to implement chronic disease programs broadly, focusing the programs on all Montanans. The legislature's assumption was that the approved programs would reduce the burden of tobacco related chronic diseases without targeting tobacco exclusively. This proposal appears to be a continuation of a broader focus of PHSD chronic diseases worsened through tobacco use as a high percentage of the data gathered in this project will relate to the burden of chronic diseases resulting from tobacco use.

Challenges: This proposal can be accomplished, but will require a collaborative effort between Montana hospitals, MHA and DPHHS. Based on meeting with MHA, we do not envision any major obstacles. Additionally, other States have successfully implemented emergency department and hospital discharge data programs. As of 2007, the majority of states (39 including the District of Columbia) have legislation in place to require reporting of hospital discharge data. Twenty-eight of those states collect hospital discharge data directly, and 11 contract with private organizations (e.g., hospital associations) for data collection. Additionally, 27 states are collecting emergency room data.

Risks: The primary risk to the state if this program is not implemented will be that the state will continue to not have timely, high quality emergency department and hospital discharge data available to guide actions by DPHHS and other health organizations to improve health and inform policy deliberations and legislation.

Sub-Program Details

CHRONIC DISEASE PREV & HEALTH PROMOTION 03

Sub-Program Proposed Budget

The following table summarizes the proposed executive budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011	Total Exec. Budget Fiscal 10-11
FTE	43.02	0.00	1.00	44.02	0.00	1.00	44.02	44.02
Personal Services	2,020,718	317,233	56,927	2,394,878	322,764	57,014	2,400,496	4,795,374
Operating Expenses	7,041,880	16,888	68,073	7,126,841	19,801	67,986	7,129,667	14,256,508
Grants	7,663,612	0	373,960	8,037,572	0	423,960	8,087,572	16,125,144
Benefits & Claims	1,158,590	0	0	1,158,590	0	0	1,158,590	2,317,180
Total Costs	**$17,884,800**	**$334,121**	**$498,960**	**$18,717,881**	**$342,565**	**$548,960**	**$18,776,325**	**$37,494,206**
General Fund	607,754	9,007	0	616,761	11,049	50,000	668,803	1,285,564
State/Other Special	10,905,233	189,352	125,000	11,219,585	193,238	125,000	11,223,471	22,443,056
Federal Special	6,371,813	135,762	373,960	6,881,535	138,278	373,960	6,884,051	13,765,586
Total Funds	**$17,884,800**	**$334,121**	**$498,960**	**$18,717,881**	**$342,565**	**$548,960**	**$18,776,325**	**$37,494,206**

Sub-Program Description

The Chronic Disease Prevention and Health Promotion Bureau provides for the following functions:

- Cardiovascular health
- Diabetes control and prevention
- Nutrition and physical activity
- Cancer control
- Emergency medical services and trauma system
- Asthma control
- Tobacco use prevention and cessation

The functions use surveillance, health status, and health care service information to monitor health conditions in Montana. The information is used to direct the efforts of the various programs within the bureau.

LFD ISSUE

Additional Funding in Tobacco Cessation and Prevention Funds Available for Appropriation

Included in the 2011 biennial budget for the Chronic Disease Prevention and Health Promotion Bureau are several programs supported by tobacco settlement funds including:

- Tobacco use prevention and cessation , $16.8 million
- Chronic disease programs to reduce the burden of tobacco related illnesses, $5.4 million

As shown in the DPPHS summary on tobacco settlement funds and appropriations, the executive is proposing $11.7 million in expenditures each year of the biennium supported by tobacco settlement funds. This level of expenditure leaves approximately $3.0 million in tobacco settlement funds available for legislative appropriation for tobacco cessation and prevention activities in the 2011 biennium.

LFD ISSUE (CONT.)

As stated before, if tobacco prevention and cessation funds are not appropriated within two years of receipt they are transferred to the tobacco settlement trust. Therefore, the legislature may wish to consider whether it has priorities that could be addressed within funding not proposed for expenditure by the executive. Among the options are:

- Provide additional funding for pilot sites funded in the last biennium for diabetes and heart disease prevention, which showed positive outcomes (See the goals and objectives section that follows)
- Provide additional funds for tobacco cessation in pregnant women (Discussed in the Family and Community Health Bureau narrative)
- Other programs reflecting legislative priorities for tobacco use prevention and cessation funding

2009 Biennium Major Goals

The following provides an update of the major goal for Chronic Disease Prevention and Health Promotion monitored by the LFC during the 2009 interim.

The 2007 Legislature approved adding chronic disease programs to the definition of programs for tobacco disease prevention as recommended by CDC's Best Practices for Comprehensive Tobacco Control Programs – August 1999. The legislative also approved an additional $5.4 million in tobacco settlement money to support the new programs. Part of the purpose of the programs is to reduce the burden of tobacco-related diseases such as cancer, heart disease, and strokes. Tobacco use also worsens the effects of chronic diseases such as asthma and diabetes, which also received funding. The LFC included review of several measurable objectives related to these new programs as part of its monitoring function in the 2009 biennium. The LFC monitored the bureau's goal to reduce the burden of chronic disease, injury, and trauma in Montana. Measurable objectives for the goal included:

- By June 2009, decrease the proportion of high school students who report smoking cigarettes in the past 30 days from 20 percent (2007) to 18 percent
- By June 2009, decrease the proportion of high school students who report spit tobacco use in the past 30 days from 13 percent (2007) to 11 percent
- By June 2009, maintain the average annual monthly number of intake calls to the Montana quit line at 700 calls per month
- By June 2008, assess the capacity of Montana clinicians to increase colorectal cancer screening in persons aged 50 years and older
- By June 2009, increase the proportion of persons aged 50 years and older who have ever had a colorectal cancer screening examination from 53 percent (2006) to 58 percent
- By June 2008, identify four program sites and implement diabetes and heart disease prevention programs. By June 2009, conduct program evaluation of these activities to assess the efficiency of this intervention

Status:

The measurements for the decrease in the proportion of high school student who report either smoking cigarettes or using spit tobacco in the past 30 days are not yet completed for FY 2009. The Behavioral Risk Survey used to generate the percentages of high school students smoking or using tobacco products is conducted every other year in February. Measurements for this objective should be available prior to the end of FY 2009.

PHSD reported the average number of calls to the Montana quit line averaged 882 from January to June of 2008 or an average of 182 more calls a month than anticipated. The quit line provides assistance to smokers who wish to quit including direct assistance such as nicotine patches.

The bureau completed an assessment of the capacity of Montana clinicians to increase colorectal cancer screening in persons 50 years and older. The assessment findings suggest that Montana has statewide capacity to meet moderately increased demand for screening colonoscopy but could only meet 17 percent demand in FY 2009 if all eligible adults chose colonoscopy as their primary form of screening. The percentage of Montanans 50 years of age and older that indicated they had had a colorectal screening increased from 53 percent in FY 2006 to 57 percent in FY 2008.

The pilot programs to implement diabetes and heart disease prevention programs met their enrollment targets of 400 individuals and follow-up goals of having 200 individuals completing a 16 session core program on the benefits of losing weight, increasing exercise, and tobacco use cessation. 45 percent of the 355 eligible participants have met the 7 percent weight loss goals and 65 percent lost 5 percent of their weight. Improvements were seen among participants' blood pressure, cholesterol, and blood glucose values reducing the participants risk for developing diabetes or heart disease.

2011 Biennium Major Goals

PHSD is required by law to submit goals and measurable objectives as part of the budgeting process. The LFD recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim.

The PHSD submitted one goal for the 2011 biennium – Improve the health of Montanans to the highest possible level. The measurable objective for the goal as it relates to chronic disease is to reduce the burden of chronic disease, the overall goal of the program in the 2009 biennium. The executive proposes the following measurements for the objective:

- Continuously reduce the proportion of high school students smoking cigarettes in the last 30 days
- Continuously reduce the proportion of adults currently smoking
- Continuously increase the proportion of persons aged 50 years and older who have had a colorectal exam

LFD ISSUE

PHSD objectives should be measurable and time-bound

The measurements for the new objective provided to meet the goal over the 2011 biennium do not include measurements or dates for achievement. As can be seen in the measureable objectives included for the 2009 biennium and monitored by the LFC, the previous legislature was given specific measurements and achievement dates for the bureau's goal of reducing the burden of chronic disease, injury, and trauma in Montana. While the goal for the 2009 biennium is now the objective for the 2011 biennium, the measurements and dates for achievement have been eliminated in the current budget submission by the bureau. The bureau provided the following measureable objectives for its 2009 biennial appropriations of $22.3 million in tobacco settlement funding:

- By June 30, 2009 decrease the proportion of high school students who report smoking cigarettes in the past 30 days to the Healthy People National Objective of 16 percent, 2005 baseline 20 percent
- By June 30, 2009, decrease the proportion of high school students who report spit tobacco use in the past 30 days to the Healthy People 2010 National Objective of less than 1 percent, 2005 baseline 15 percent
- By June 2009, decrease the proportion of adults who report smoking to the Healthy People National Objective of 12 percent, 2005 baseline 19 percent
- By June 2009, decrease the proportion of pregnant women who report smoking to the Healthy People National Objectives of 12 percent, 2005 baseline 18 percent
- By June 30, 2009, establish a baseline measure of the proportion of adults at high risk for diabetes and heart disease who have lost 7 percent of their body weight
- By June 30, 2009 increase the proportion of people with diabetes in Montana who receive the recommended preventive care services to the Healthy People 2010 National Objectives. 2004 baseline for pneumococcal vaccination 60 percent, annual foot examinations 77 percent, and annual A 1c test 69 percent
- By June 30, 2009 reduce the prevalence of smoking among Montanans aged 18 to 24 years old to 23 percent

The specific measurements and achievement dates allowed the legislature to assess the need for the level of the appropriations in the tobacco cessation and prevention program. In addition, the information on the measurements as of January 2009 would assist the 2009 Legislature in formulating appropriations policy for the 2011 biennium.

LFD ISSUE (CONT.)

The bureau is requesting $22.4 million in state special revenues funded through tobacco settlement funds. $18.7 million of the funding is proposed to support tobacco prevention and cessation activities. The proposed executive objectives do not provide the legislature with sufficient, specific, quantifiable information to enable it to formulate an appropriations policy regarding the program as required by statute. For example:

- The proposed objectives do not include the proportion of high school students or adults who will quit smoking in the 2011 biennium. The percentage reduction in Montanans smoking provides the legislature specific, quantifiable information for appropriation decisions
- The proposed objectives also do not allow the legislature to determine if the program attained its goal and objectives at some point in the future, another statutory requirement

The legislature may support the proposed appropriation levels if the requested appropriations will be supporting a decline of 5 percent in the percentage of high school students and adults who smoke in the 2011 biennium. The legislature may have additional questions or may wish to reduce the appropriations if the reductions in the percentage of Montanans smoking are less than .00002 percent achieved by the 2031 biennium. As currently proposed, either scenario meets the measurements proposed by the executive.

The U.S. Department of Health and Human Services includes specific, measurable objectives for cancer, diabetes, heart disease and stroke, nutrition and overweight, physical activity and fitness, and tobacco use as part of its goal Healthy People 2010. The legislature could use these specific, measurable objectives to formulate objectives for the bureau.

Option: The legislature may wish to discuss with PHSD how it can provide specific, quantifiable objectives for its goal which are both measurable and time-bound.

Budget Summary By Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	607,754	607,754	1,215,508	94.55 %	17,884,800	17,884,800	35,769,600	95.40 %
Statewide PL Adjustments	9,007	11,049	20,056	1.56 %	334,121	342,565	676,686	1.80 %
Other PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	50,000	50,000	3.89 %	498,960	548,960	1,047,920	2.79 %
Total Budget	**616,761**	**668,803**	**1,285,564**		**18,717,881**	**18,776,325**	**37,494,206**	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010 FTE	General Fund	State Special	Federal Special	Total Funds	Fiscal 2011 FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					414,645					420,407
Vacancy Savings					(97,412)					(97,643)
Inflation/Deflation					7,988					9,701
Fixed Costs					8,900					10,100
Total Statewide Present Law Adjustments					**$334,121**					**$342,565**
Grand Total All Present Law Adjustments					**$334,121**					**$342,565**

New Proposals

New Proposals Sub Program	Fiscal 2010 FTE	General Fund	State Special	Federal Special	Total Funds	Fiscal 2011 FTE	General Fund	State Special	Federal Special	Total Funds
DP 70005 - Establish Injury Prevention Program										
03	1.00	0	125,000	0	125,000	1.00	0	125,000	0	125,000
DP 70006 - Fund Poison Control Hotline										
03	0.00	0	0	0	0	0.00	50,000	0	0	50,000
DP 70021 - Nutrition and Physical Activity Program										
03	0.00	0	0	373,960	373,960	0.00	0	0	373,960	373,960
Total	**1.00**	**$0**	**$125,000**	**$373,960**	**$498,960**	**1.00**	**$50,000**	**$125,000**	**$373,960**	**$548,960**

DP 70005 - Establish Injury Prevention Program - The executive is proposing $125,000 and 1.00 FTE for each year of the biennium in tobacco trust fund interest to establish an injury prevention program for the State of Montana. The funds would be used to establish a core capacity injury prevention program, which would allow DPHHS to initiate public health interventions to reduce the burden of unintentional injury in Montana.

DP 70006 - Fund Poison Control Hotline - The executive requests $50,000 in general fund for FY 2011 to contract with the Rocky Mountain Poison Center (RMPC) to provide 24/7 poison control hotline services for Montanans and medical consultation for health care professionals in the state. PHSD currently contracts with the RMPC to provide 24/7 poison control hotline services for Montanans and medical consultation for health care professionals in the state. One of the intended outcomes of the program is to reduce emergency room visits by managing human exposure to poisons over the phone in the person's home. The current costs for these services are $371,106 per year. PHSD provides only $214,830 to RMPC to cover these services.

DP 70021 - Nutrition and Physical Activity Program - This decision package requests $373,960 in each year of the biennium for increased federal spending authority for the Nutrition and Physical Activity program. The Montana Nutrition and Physical Activity Program received an increase in federal funding through their cooperative agreement with the Centers for Disease Control and Prevention.

Sub-Program Details

FAMILY & COMMUNITY HEALTH 04

Sub-Program Proposed Budget

The following table summarizes the proposed executive budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011	Total Exec. Budget Fiscal 10-11
FTE	34.75	0.00	0.00	34.75	0.00	0.00	34.75	34.75
Personal Services	1,816,030	217,445	0	2,033,475	222,003	0	2,038,033	4,071,508
Operating Expenses	1,096,746	11,655	75,000	1,183,401	13,850	575,000	1,685,596	2,868,997
Grants	7,530,516	0	500,000	8,030,516	0	500,000	8,030,516	16,061,032
Benefits & Claims	11,621,166	2,179,255	30,000	13,830,421	3,243,708	30,000	14,894,874	28,725,295
Total Costs	**$22,064,458**	**$2,408,355**	**$605,000**	**$25,077,813**	**$3,479,561**	**$1,105,000**	**$26,649,019**	**$51,726,832**
General Fund	560,459	(1,704)	500,000	1,058,755	(1,578)	500,000	1,058,881	2,117,636
State/Other Special	1,536,295	274,196	105,000	1,915,491	274,234	105,000	1,915,529	3,831,020
Federal Special	19,967,704	2,135,863	0	22,103,567	3,206,905	500,000	23,674,609	45,778,176
Total Funds	**$22,064,458**	**$2,408,355**	**$605,000**	**$25,077,813**	**$3,479,561**	**$1,105,000**	**$26,649,019**	**$51,726,832**

Sub-Program Description

The Family and Community Health Bureau programs and services are designed to improve the health of Montana's women, children, and families. The bureau provides support for the following programs:

- Maternal and child health data monitoring
- Infant, child and maternal health including public health home visiting and MIAMI programs
- Nutrition/Women, Infants, and Children (WIC)
- Women's and Men's Health including family planning, teen pregnancy prevention, and women's health services
- Children's Special Health Services incorporating specialty clinics, newborn metabolic and hearing screening, and genetics services

The 2007 Legislature approved additional program support to expand the panel of tests conducted at birth from 4 to 29. The legislature also approved $0.4 million in additional support for a newborn screening follow-up program to assure the availability of clinical diagnostic and support services for babies with an abnormal condition identified through the additional tests. In addition, the legislature approved additional funding to support public health home visiting programs to high-risk pregnant women.

LFD ISSUE

General fund savings of up to $1.1 million available through funding switch

As discussed in the Chronic Disease Prevention and Health Promotion Bureau narrative, the executive proposes $11.7 million in appropriations for tobacco settlement funds used to support tobacco cessation and prevention activities. 17-6-602, MCA includes in the definition of programs for tobacco disease prevention programs for special education and cessation programs designed to reach youth and women of childbearing age.

Smoking cigarettes is recognized as one of the primary causes of low birth weight babies. According to the 2006 DPHHS report on the health of Montana, the rate of smoking in pregnancy is higher in Montana (19 percent in 2003) than in the United States (11 percent in 2002) and even higher in American Indian women in Montana (30 percent in 2003). According to Montana Public Health, May 2008, Volume 3, 18 percent of women smoked during their pregnancies between 2004 through 2006. Overall, the prevalence of low birth weight babies in this period was almost twice as high in women who smoked (9.3 percent) compared to women who did not (4.7 percent).

LFD ISSUE (CONT.)

The infant, child, and maternal health section includes public home health visiting services to high risk pregnant women who are at risk for using substances, including tobacco, while pregnant. According to program statistics, approximately 50 percent of the women served in the program in FY 2008 reported smoking while pregnant. This statistic is consistent with those that reported smoking in FY 2006 and FY 2007. However, program staff believes this number may be underreported as the number of women who reported they stopped smoking as part of the program is higher than the number who report they smoked during their pregnancy. A component of the home health visit includes tobacco smoking cessation education as it relates to the increased risk of low birth weight for the baby. The program reports 19.4 percent of the 1,186 pregnant women served in 2006 reported decreased tobacco use and an additional 16.6 percent reported they stopped using tobacco altogether.

The executive is proposing funding the public home health visiting program using $1.1 million of general fund and $0.4 million in tobacco settlement interest from the Tobacco Settlement Trust in the 2011 biennium. The executive also proposes appropriations for tobacco settlement funds used to provide for tobacco cessation programs which result in $3.0 million in funds available for appropriation by the legislature.

Given the high prevalence of smoking found in the high-risk population served by the home health visiting program, the link between smoking and low birth weight babies, the significant health issues for low birth weight babies, and the focus on tobacco use cessation as part of the home health visits, the legislature may wish to consider funding a portion of the home health visiting program using tobacco settlement funds dedicated to tobacco cessation programs. Given that at least 50 percent of the women in the program report smoking, the legislature may wish to replace up to $1.1 million in general fund with tobacco use prevention and cessation funds.

Legislative options include:

- Replace approximately $750,000 of general fund or 50 percent of program costs with tobacco settlement funds over the biennium
- Funding the entire program using tobacco settlement funds as the program appears to meet the definition of a program providing special education and tobacco cessation that reaches women of childbearing age. This option results in $1.1 million in general fund savings and $0.4 million of interest on the Tobacco Settlement Trust available for appropriation to other programs

2009 Biennium Major Goals

The following provides an update of the major goal the Family and Community Health Bureau monitored by the LFC during the 2009 interim.

The LFC monitored the bureau's goal to provide programs and services to improve the health of Montana's women, children, and families. Measurable objectives for the goal included:

- By January 1, 2008, have administrative rule in place to require expanded newborn screening testing, and have in place a contract for newborn screening follow-up
- By June 30, 2009, assure that 95 percent of newborns receive timely follow up to definitive diagnosis and clinical management for conditions mandated by their state-sponsored newborn screening program
- By December 31, 2007, increase the number of tribal sites providing public health home visiting by conducting a request for proposal
- By June 30, 2009 examine the impact of home visiting on the incidence of low birth weight births in Montana

<u>Status:</u>

Administrative rules requiring expanded new born screening testing were completed in October 2007. A contract for newborn screening follow up was issued for 18 months beginning January 1, 2008. As of October 2008, the bureau reported over 95 percent of newborns received the mandated 29 tests for metabolic and hearing screening abnormalities. In addition, the bureau provided federal performance measurements showing both the Montana target and Montana rate

for the percentage of screen positive newborns who receive timely follow up to definitive diagnosis and clinical management for conditions mandated by newborn screening programs was 100 percent through 2007. It should be noted that the federal follow-up performance measurements reported were issued prior to the implementation of the requirement for 29 metabolic and hearing tests.

In FY 2008 the bureau added a public health home visiting program to the Northern Cheyenne reservation increasing the tribal sites to two. The bureau is on track to issue a report on the impact of public health home visiting on the incidence of low birth weight births in Montana.

2011 Biennium Major Goals

PHSD is required by law to submit goals and measurable objectives as part of the budgeting process. The LFD recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim.

The PHSD submitted one goal for the 2011 biennium – Improve the health of Montanans to the highest possible level. The measurable objective for the goal as it relates to family and community health is to provide programs and services to improve the health of women. The executive proposes the following measurements for the objective:

- Continuously reduce the rate of birth for teenagers aged 15 through 17 years
- Continuously increase the proportion of newborns fully screened and, when indicated, provide follow up services

LFD ISSUE

Objectives for Program Goal are neither measurable nor time-bound

The measurements for the new objective provided to meet the goal over the 2011 biennium do not include measurements or dates for achievement. In addition, the executive proposes a single objective for the 2011 biennium with two measurements. As can be seen in the measureable objectives included for the 2009 biennium and monitored by the LFC, the previous legislature was given specific measurements and achievement dates for the bureau's goal to provide programs and services to improve the health of Montana's women, children, and families. While the goal for the 2009 biennium is now the objective for the 2011 biennium, the measurements and dates for achievement have been eliminated in the current budget submission by the executive. The bureau provided the following measureable objectives for its 2009 biennial appropriations of $43.6 million:

- By June 30, 2009, reduce the rate of birth for teenagers aged 15 to 17 years to 9.3 per 1,000. FY 2005 baseline 9.7 per 1,000
- By June 30, 2009, increase the percentage of mothers who breastfeed their infants at hospital discharge to 77.1 percent. FY 2005 baseline 73.0 percent
- By June 30, 2009, increase the percent of potential WIC eligibles served by 10 percent. FY 2005 baseline 65 percent
- By June 30, 2009, increase the frequency of WIC computer help desk calls for assistance due program inadequacies. FY 2007 baseline 114 calls per month November and December 2006
- By June 30, 2009, decrease the number of WIC audit findings due to computer system operations, FY 2005 baseline two internal audit and four external audit findings
- By June 30, 2009, increase the percentage of newborns who have been screened for hearing before hospital discharge to 92 percent. FY 2005 baseline 87.9 percent
- By June 30, 2009, 100 percent of newborns will receive timely follow up to definitive diagnosis and clinical management for conditions mandated by their state-sponsored newborn screening programs. FY 2005 baseline 100 percent
- By June 30, 2009, increase accessibility to specialty services for children with special health care needs through specialty clinics by 10 percent. FY 2005 baseline 2,510

LFD ISSUE (CONT.)

- By June 30, 2009, 100 percent of Montana's counties will have been reviewed as potential Health Professional Shortage Area designations for primary care, mental health, and dental services in an effort to improve the health-care access to medically underserved and vulnerable populations of Montanans
- By June 30, 2009, decrease the rate per 100,000 of suicide deaths among youth ages 15 through 19 to 9/100,000. FY 2005 baseline 25.1/100,000

The specific measurements and achievement dates allowed the legislature to assess the need for the level of the appropriations in the family and community health programs. In addition, the information on the measurements as of January 2009 would assist the 2009 Legislature in formulating appropriations policy for the 2011 biennium.

The bureau is requesting $51.7 million funded through a combination of general fund, state special revenues, and federal funds for the 2011 biennium. $45.8 million of the funding proposed supports federally supported grant activities. Most federal grant programs, including WIC and maternal and child health block grants, require state agencies to report on specific, quantifiable measurements as part of their program responsibilities. Many of the measurements included in the 2009 biennium are required as part of the federal grants the bureau receives. In addition, U.S. Department of Health and Human Services includes specific, measurable objectives for maternal, infant, and child health and family planning as part of its Healthy People 2010 goals.

The proposed executive objectives do not provide the legislature with sufficient, specific, quantifiable information to enable the legislature to formulate an appropriations policy regarding the program as required by statute. The proposed objectives do not include the amount of the reduction in the rate of birth for teenagers aged 15 through 17 years or the increase to the proportion of newborns fully screened and provided follow up services. Specific percentage reductions or increases provide the legislature specific, quantifiable information for appropriation decisions. The proposed objectives also do not allow the legislature to determine if the program attained its goal and objectives at some point in the future date, another statutory requirement. For example, the legislature may support the proposed appropriation levels if the requested appropriations will be supporting a decline of 5 percent in the percentage of teenagers aged 15 through 17 years who give birth to 8.8 per 1,000 in the 2011 biennium. The legislature may have additional questions or may wish to reduce the appropriations if the reduction in the percentage of teen birth rates is less than .005 percent achieved by the 2031 biennium. As currently proposed, either scenario meets the measurements proposed by the executive.

The legislature may wish to discuss how the bureau will improve on their current performance for the measurement to increase the proportion of newborns fully screened and, when indicated provide follow up services. Currently over 95 percent of Montana newborns received the mandated 29 screening tests and 100 percent of newborns received the indicated follow up services. The legislature may wish to discuss the following as it related to the measurement proposed by the executive:

- Does the program propose to focus efforts on the remaining 5 percent of newborns who are not currently screened?
- What barriers has the program identified to attaining this measurement?
- What percentage increase in newborns screened does the bureau propose for the 2011 biennium?
- How do current appropriation requests support this increase?

Options:

- To better understand the anticipated measurable objectives for the 2011 biennium, request the bureau provide federally required performance measurement targets for its proposed federal appropriations of $51.7 million in the 2011 biennium.
- Discuss with PHSD how it can provide specific, quantifiable objectives for its goal which are both measurable and time-bound.

Budget Summary By Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	560,459	560,459	1,120,918	52.93 %	22,064,458	22,064,458	44,128,916	85.31 %
Statewide PL Adjustments	(1,704)	(1,578)	(3,282)	(0.15%)	229,100	235,853	464,953	0.90 %
Other PL Adjustments	0	0	0	0.00 %	2,179,255	3,243,708	5,422,963	10.48 %
New Proposals	500,000	500,000	1,000,000	47.22 %	605,000	1,105,000	1,710,000	3.31 %
Total Budget	**1,058,755**	**1,058,881**	**2,117,636**		**25,077,813**	**26,649,019**	**51,726,832**	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010 FTE	Fiscal 2010 General Fund	Fiscal 2010 State Special	Fiscal 2010 Federal Special	Fiscal 2010 Total Funds	Fiscal 2011 FTE	Fiscal 2011 General Fund	Fiscal 2011 State Special	Fiscal 2011 Federal Special	Fiscal 2011 Total Funds
Personal Services					302,172					306,919
Vacancy Savings					(84,727)					(84,916)
Inflation/Deflation					2,592					3,137
Fixed Costs					9,063					10,713
Total Statewide Present Law Adjustments					**$229,100**					**$235,853**
DP 70001 - Increased Federal Spending Authority For WIC	0.00	0	0	1,979,255	1,979,255	0.00	0	0	3,043,708	3,043,708
DP 70003 - Increased Authority for Children's Special Health	0.00	0	200,000	0	200,000	0.00	0	200,000	0	200,000
Total Other Present Law Adjustments	**0.00**	**$0**	**$200,000**	**$1,979,255**	**$2,179,255**	**0.00**	**$0**	**$200,000**	**$3,043,708**	**$3,243,708**
Grand Total All Present Law Adjustments					**$2,408,355**					**$3,479,561**

DP 70001 - Increased Federal Spending Authority For WIC - The executive proposes $1,979,255 in FY 2010 and $3,403,708 in FY 2011 in federal spending authority for an estimated 5 percent increase for the Montana WIC program. The increase is anticipated federal support for food dollars, and is for an average of past increases. Montana's federal WIC budget increased four times and decreased twice in the last six years. The latest increase of 8 percent between 2007 and 2008 was attributable to the increase in the cost of food. Federal intent is unknown at this time, but food costs are expected to continue to rise. The 5 percent increase approximates the average change over the last seven years.

DP 70003 - Increased Authority for Children's Special Health - The executive requests $200,000 for each year of the biennium in state special spending authority for anticipated increases in billing revenue for Children's Special Health Care Needs Clinics. The department provides for the metabolic and cleft cranio facial clinics in the state, and bills for those services. Clinic visits have increased each year; there were 2,202 completed visits in CY2005, 2,455 in CY 2006 and 2,732 in CY 2007. PHSD estimates CSHS clinics visits will increase by 5 percent each year of the biennium.

New Proposals

New Proposals										
	Fiscal 2010					Fiscal 2011				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 70007 - Cont. 2009 Bien. Funds: Offset Contraceptive Costs										
04	0.00	500,000	0	0	500,000	0.00	500,000	0	0	500,000
DP 70014 - MT Health Professional Recruit/Reten Incentive Pgm										
04	0.00	0	75,000	0	75,000	0.00	0	75,000	0	75,000
DP 70016 - Local WIC Farmer's Market Support										
04	0.00	0	30,000	0	30,000	0.00	0	30,000	0	30,000
DP 70023 - Family Planning Waiver – Biennial										
04	0.00	0	0	0	0	0.00	0	0	500,000	500,000
Total	**0.00**	**$500,000**	**$105,000**	**$0**	**$605,000**	**0.00**	**$500,000**	**$105,000**	**$500,000**	**$1,105,000**

DP 70007 - Cont. 2009 Bien. Funds: Offset Contraceptive Costs - The executive proposes $500,000 in each year of the biennium to continue the one-time only funding authorized by the previous session for increased contraceptive costs. These funds would be used to offset the increased cost of contraceptives for Title X Family Planning Clinics. Contraceptive costs rose 70 percent during FY 2007 and are expected to remain at that level. If the federal Family Planning Waiver is approved in this biennium, general fund (up to $300,000) can be used for state match with Medicaid funds.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification - DPHHS contracts with 14 family planning agencies in 25 locations throughout Montana offering comprehensive family planning, medical, counseling and educational services to women in need. These clinics rely on the Federal Title X program which is devoted to the provision of family planning and reproductive health care. In 2006, Montana family planning clinics began experiencing drastically increased prices for contraceptives. The contraceptive patch nearly doubled in price between the second and third quarters of 2006. The price increases for oral contraceptives were more extreme, going from as little as one penny for a month's supply to nearly $19. Such price fluctuations have continued into 2008. Montana's family planning clinics continue to face a nearly 70 percent increase in costs for contraceptives since 2006. The 2007 Legislature allocated general fund until Montana Plan First, Montana's Section 1115 Family Planning Waiver could be implemented. The Medicaid waiver was submitted July 1, 2008.

Program goals: The goal is to assure that Title X clients have access to affordable contraception.

Outcome measures:
- Title X clinics will report the type and cost of contraception prescribed by Title X providers
- The availability of at least two contraceptive options in each Title X clinic

Milestones:
- Beginning July 1, 2010, funding earmarked for contraceptive purchases will be included in the SFY 2010 Title X contracts
- Quarterly and on-going, contractors will report to the Women's and Men's Health Section on the amount of funding expended for contraception quarterly

FTE: The Women's and Men's Health section will distribute and monitor the funding and the Title X contractor clinics will purchase and distribute the contraceptives.

Funding: Title X contracting agencies purchase contraceptives at lower prices than other clinic and physician sites, and pass those savings on the clients.

Challenges: None anticipated.

Risks: The increase in contraceptive prices jeopardizes the availability of reproductive health services, including low cost contraception, for low-income and uninsured women in Montana.

LFD COMMENT The LFC Subcommittee on Public Health and Human Services requested the Joint Appropriations. Subcommittee on Public Health and Human Services consider continued funding for this proposal to provide continuity in support for contraceptive options to low income women in Montana. The LFC subcommittee also recommends the appropriation subcommittee recommend this program for monitoring by the LFC during the 2011 biennium.

DP 70014 - MT Health Professional Recruit/Reten Incentive Pgm - The executive proposes $75,000 in state special revenue funds in FY 2010 and FY 2011 for the Montana Health Professional Recruitment and Retention Incentive Program. This program would be available to non-physician primary care providers, mental health and dental health providers. Initial implementation would allow for up to 13 providers to receive up to $5,000 per year for recruitment and retention support. Placement would be limited to facilities and practices in designated shortage areas that have submitted site applications to the federal National Health Service Corp (NHSC). Legislation implementing the program would be developed by DPHHS, in partnership with key partners.

Outcome Indicators:

- By June 30, 2010, increase the number of non-physicians receiving recruitment and retention assistance for practice in designated health professional shortage areas by 10 percent.
- By June 30, 2010, increase the number of Montana facilities and practices authorized as recruitment sites by the NHSC by 10 percent.

LFD COMMENT The Postsecondary Education Policy and Budget Subcommittee of the Education and Local Government Interim Committee requested a bill draft to:

- Provide incentives for dentists to practice in underserved areas or for underserved populations
- Allowing a fee to be assessed to certain students to fund the incentives
- Created a dental extension program

DP 70016 - Local WIC Farmer's Market Support - The executive requests $30,000 per year of the biennium in tobacco settlement trust interest for local WIC programs operating Farmer's Market Nutrition Programs (FMNP). In 2007, Montana had seven WIC FMNP Sites that included 10 farmers markets. Montana anticipates that three additional sites would participate in the FMNP if these funds were available. FMNPs offer fresh locally grown products to WIC participants.

DP 70023 - Family Planning Waiver - Biennial - The executive proposes to implement Montana Plan First, Montana's Section 1115 Family Planning Waiver which was applied for July 2008. The decision package requests $500,000 in federal spending authority for the biennium. Once the federal waiver is approved, DPHHS proposes to transfer the funds to the Health Resources Division. If the waiver is approved in this biennium, the executive proposes using up to $300,000 general fund from DP 70007 (Contraceptive Costs) as state match in this waiver.

LFD ISSUE

The proposed federal appropriations should be budgeted in the Human Resources Division

The 2007 Legislature added $0.7 million general fund and $5.4 million federal funds for the 2009 biennium for the first of two years of a five year family planning waiver. The program was expected to start July 2007 and to provide reproductive health services estimated at approximately $480 per year to about 6,000 low-income women with incomes below 185 percent of the federal poverty level (FPL) who are of child bearing age. The goal of the program was to reduce the number of unplanned/unwanted pregnancies through coverage of family planning services for low income women in years 3, 4, and 5 of the program. The performance criteria for the proposal included:

- Number of women receiving family planning services under the Montana Family Planning Project being between 6,000 and 10,000 during the first 3 years
- Number of live births for Medicaid and Medicaid eligible populations
- Costs of the family planning project

Option: As the services provided through the Montana Plan First waiver would be staffed, provided, and funded through the Human Resources Division, the legislature may wish to appropriate the federal funds in the correct program for the 2011 biennium, eliminating the need to transfer appropriation authority between the programs.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: The funds will be used to implement Montana Plan First in calendar year 2009, adding to Medicaid approximately 4,000 women of child bearing age with incomes at or below 185 percent FPL. Women eligible for Plan First will receive contraceptives and associated reproductive health services. Implementing this waiver will increase costs during the first year and will provide savings during years 2 through 5.

LFD ISSUE

The 2011 biennium request supports 2,000 to 6,000 fewer participants than approved by the 2007 Legislature.

The Montana Plan First Medicaid waiver was approved by the 2007 Legislature to serve between 6,000 and 10,000 women in the first three years of operation. The current proposal serves 4,000 women of child bearing age for the 5 year waiver.

Option: The legislature may wish additional information on the changes identified in the 2009 interim that resulted in the reduction in the number of women served by the waiver.

Program goals:

- Goal 1: Improve access to and use of family planning services among women in the target population.
- Goal 2: Reduce number of unintended pregnancies for Montana women ages 14 through 44 who live at or below 185 percent FPL.
- Goal 3: Improve birth outcomes and women's health by increasing the child spacing interval among women in the target population.

Outcome measures:
The DPHHS Office of Planning, Coordination, and Analysis (OPCA) will manage the evaluation of Montana Plan First. At the end of each waiver year, the OPCA will complete the evaluation and will deliver a report within 90 days of waiver year end. The evaluation will include the number of women served and rate in expenditure growth for family planning services on a per capita basis, using total expenditures recorded during the first year of the demonstration as a baseline. OPCA will also compare the annual rate of growth of actual expenditures with the baseline amount trended forward using the Medical Consumer Price Index (MCPI).

LFD ISSUE

Measures Do Not Address 2 of Program Goals

The proposed outcome measures do not address two of the goals outlined for the program. The goal of reducing the number of unintended pregnancies for Montana women ages 14 through 44 who live at or below 185 percent of the federal poverty levels is not measured by evaluating the number of women served or the rate in expenditure growth for family planning services on a per capita basis. Neither does this measure address the program goal to improve birth outcomes and women's health by increasing the child spacing interval among women in the target population.

The legislature may wish to discuss how the program will determine success for the two program goals outlined above.

Milestones: Implementation schedule (depending on CMS approval of waiver application):
January through June 2009:

Design and implement enhancements to computer system
- Modify the Medicaid Management Information System (MMIS)
- Modify the KIDS eligibility system for Plan First eligibility determination
- March through June 2009: Amend Administrative Rules of Montana
- March 2009: Hire and train eligibility determination staff

April through June 2009:
- Revise Medicaid client handbook and update client website
- Notify and train providers
- Develop provider manual to provide information on covered services, eligible population, and billing procedures
- Develop and conduct provider trainings regarding eligibility, services, billing procedures, and primary care referrals
- Conduct outreach

July 2009 - begin enrolling women into the waiver.
August through September 2010 - Conduct evaluation

FTE: A current FTE (Program Officer) in the Medicaid Managed Care Bureau will manage Montana Plan First. Eligibility determination for the waiver will be performed by DPHHS employees who currently determine eligibility for other health care programs.

Funding: Requested funding is federal Medicaid funds. The division proposes general fund appropriations included in DP 70007 to provide support for the state matching share. Expending general fund in the first year of the waiver will result in cost savings in waiver years 2 through 5. The federal government matches the cost of services and supplies for family planning at 90 percent for all states; this rate is a clear incentive for states to extend family planning services to eligible women.

Challenges: DPHHS will use targeted outreach to reach potentially eligible women. Targeted outreach in Montana is challenging because of large distances between population centers and sparsely populated rural areas. All Medicaid providers who deliver family planning services will be able to deliver services under the waiver. DPHHS anticipates that private providers, health departments, family planning clinics, and Community Health Centers will provide services to eligible women. Adequate training for these providers will necessitate creative training delivery methods, such as web-based training sessions, training CDs or DVDs, and specialized claims submission training. In addition, providers must be trained in the importance of referrals for primary care services for women who receive family planning services under the waiver.

Risks: Montana's risk in not implementing the family planning waiver is that Medicaid will continue to pay for births to low-income and high-risk women that could have been averted if the waiver had been implemented. A decade of evaluations of states' family planning programs has shown that the investment has prevented unintended pregnancies and abortions, and generated substantial cost savings for states.

Sub-Program Details

COMMUNICABLE DISEASE CONTROL & PREV 05

Sub-Program Proposed Budget

The following table summarizes the proposed executive budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011	Total Exec. Budget Fiscal 10-11
FTE	30.75	0.00	0.00	30.75	0.00	0.00	30.75	30.75
Personal Services	1,212,462	458,239	0	1,670,701	462,530	0	1,674,992	3,345,693
Operating Expenses	954,608	64,265	0	1,018,873	66,339	0	1,020,947	2,039,820
Equipment & Intangible Assets	13,665	0	0	13,665	0	0	13,665	27,330
Grants	2,108,876	0	400,000	2,508,876	0	400,000	2,508,876	5,017,752
Benefits & Claims	1,059,040	0	84,000	1,143,040	0	84,000	1,143,040	2,286,080
Total Costs	**$5,348,651**	**$522,504**	**$484,000**	**$6,355,155**	**$528,869**	**$484,000**	**$6,361,520**	**$12,716,675**
General Fund	714,089	181,710	0	895,799	182,356	0	896,445	1,792,244
State/Other Special	836,075	6,370	484,000	1,326,445	6,653	484,000	1,326,728	2,653,173
Federal Special	3,798,487	334,424	0	4,132,911	339,860	0	4,138,347	8,271,258
Total Funds	**$5,348,651**	**$522,504**	**$484,000**	**$6,355,155**	**$528,869**	**$484,000**	**$6,361,520**	**$12,716,675**

Sub-Program Description

The Communicable Disease Control and Prevention Bureau provides public health functions including:

- Disease surveillance
- Disease investigation
- Regulatory public health activities
- Coordination of prevention and treatment
- Education
- Training

The communicable disease and epidemiology/TB section, the food and consumer safety section, the HIV/STD prevention section, and the immunization section are supported through the 2011 biennial budget request.

The executive proposes increased support of:

- $0.9 million in statewide present law adjustments
- $0.9 million for immunization programs for adolescents
- $0.17 million for HIV treatment

2009 Biennium Major Goals

The following provides an update of the major goal for Communicable Disease Control and Prevention Bureau monitored by the LFC during the 2009 interim.

The LFC monitored the bureau's goal to reduce the incidence of communicable disease in Montana citizens through efforts in prevention, treatment, surveillance, and epidemiology. Measurable objectives for the goal included:

- By 2009, achieve and maintain 90 percent immunization coverage rate for children 19-36 months of age who are seen in health care settings in accordance with the recommended immunization schedule
- By 2009, reduce the incidence of Chlamydia to 250 cases per 100,000 in Montana. This would be reducing it from 293 cases/100,000 in 2006.

Status:

The LFC Performance Measurement Subcommittee on DPHHS recommended changing the performance measurement on immunization coverage for children 19-36 months of age to the national performance standard during its October 2008 meeting. The national measurement more accurately reflects the overall percentage of Montana children immunized in accordance with the recommended immunizations schedule. According to division staff, in FY 2008 Montana was second from the last in the country for the number of children receiving immunizations according to recommended schedule.

In addition, the LFC subcommittee recommended changing the measurement for the incidence of Chlamydia as the division's surveillance of the disease increased resulting in an increased number of cases per 100,000 reported in FY 2008

2011 Biennium Major Goals

PHSD is required by law to submit goals and measurable objectives as part of the budgeting process. The LFD recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim.

The PHSD submitted one goal for the 2011 biennium – Improve the health of Montanans to the highest possible level. The measurable objective for the goal as it relates to communicable disease control and prevention is to prevent and control communicable disease, a variation on the bureau's 2009 goal to reduce the incidence of communicable disease in Montana citizens through efforts in prevention, treatment, surveillance, and epidemiology. The executive proposes the following measurements for the objective:

- Continuously increase the proportion of children (19-36 months) fully immunized
- Continuously reduce annual cases of Chlamydia

LFD ISSUE

The Objectives are Not Measureable or Time-bound

The new objective provided to meet the goal over the 2011 biennium does not include measurements or dates for achievement. In addition, the executive proposes a single objective for the 2011 biennium with two measurements. As can be seen in the measureable objectives included for the 2009 biennium and monitored by the LFC, the previous legislature was given specific measurements and achievement dates for the bureau's goal of reducing the incidence of communicable disease in Montanan citizens through efforts in prevention, treatment, surveillance, and epidemiology. While the goal for the 2009 biennium is now generally presented as the objective for meeting the 2011 biennium goal, the measurements and dates for achievement have been eliminated in the current budget submission by the executive.

The bureau provided the following measureable objectives for its 2009 biennial appropriations of $11.9 million:

- By June 30, 2009 achieve and maintain 90 percent immunization coverage rate for children 19-35 months of age in accordance with the recommended immunization schedule. FY 2005 baseline 91 percent
- By June 30, 2009, continue to maintain at 100 percent, the proportion of tuberculosis cases completing curative therapy within 12 months. FY 2005 baseline 100 percent
- Increase the rate of compliance with food and pool safety regulations by licensed establishments by 5 percent annually through June 30, 2009. Baseline to be established in 2007
- By June 30, 2009, reduce the incidence of Chlamydia to 150 cases per 100,000 in Montana. FY 2005 baseline 258/100,000 cases
- Control the incidence of HIV/AIDS in Montana so as not to exceed 1.4 cases per 100,000 persons, through June 30, 2009. 2005 baseline 1.6 cases per 100,000

LFD ISSUE (CONT.)

As is discussed in the other narrative sections on the 2009 biennium objectives, the specific measurements and achievement dates allowed the legislature to assess the need for the level of the appropriations. In addition, the information on the measurements as of January 2009 would assist the 2009 Legislature in formulating appropriations policy for the 2011 biennium.

The bureau is requesting $12.7 million in appropriations funded through a combination of general fund, state special revenues, and federal funds for the 2011 biennium. $8.3 million of the funding as is proposed supports federally supported grant activities. Most federal grant programs, including the vaccination program and AIDS prevention require state agencies to report on specific, quantifiable measurements as part of their program responsibilities. In addition, the U.S. Department of Health and Human Services includes specific, measurable objectives for respiratory diseases, sexually transmitted diseases, food safety, and immunization and infectious diseases which could assist the legislature in determining measurable objectives for the bureau.

The proposed executive objectives do not provide the legislature with sufficient, specific, quantifiable information to enable the legislature to formulate an appropriations policy regarding the program as required by statute.

Options:

- Discuss how the bureau will continue to improve on their current performance for the measurements reviewed in the 2009 biennium
- Request the PHSD submit specific, quantifiable objectives for its goal which are both measurable and time-bound
- To better formulate measurable objectives for the 2011 biennium, request the bureau provide federally required performance measurement targets for its proposed federal appropriations of $8.3 million in the 2011 biennium

Budget Summary By Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	714,089	714,089	1,428,178	79.69 %	5,348,651	5,348,651	10,697,302	84.12 %
Statewide PL Adjustments	181,710	182,356	364,066	20.31 %	465,018	471,383	936,401	7.36 %
Other PL Adjustments	0	0	0	0.00 %	57,486	57,486	114,972	0.90 %
New Proposals	0	0	0	0.00 %	484,000	484,000	968,000	7.61 %
Total Budget	**895,799**	**896,445**	**1,792,244**		**6,355,155**	**6,361,520**	**12,716,675**	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010 FTE	General Fund	State Special	Federal Special	Total Funds	Fiscal 2011 FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					527,852					532,324
Vacancy Savings					(69,613)					(69,794)
Inflation/Deflation					3,579					4,553
Fixed Costs					3,200					4,300
Total Statewide Present Law Adjustments					**$465,018**					**$471,383**
DP 70008 - Adolescent Immunization Outreach Program	0.00	0	0	57,486	57,486	0.00	0	0	57,486	57,486
Total Other Present Law Adjustments	**0.00**	**$0**	**$0**	**$57,486**	**$57,486**	**0.00**	**$0**	**$0**	**$57,486**	**$57,486**
Grand Total All Present Law Adjustments					**$522,504**					**$528,869**

DP 70008 - Adolescent Immunization Outreach Program - The executive proposes $57,486 in federal spending authority for each year of the biennium to develop an adolescent project to improve outreach to the adolescent population and improve the vaccination status for tetanus, diphtheria, whooping cough, meningitis, human papillomavirus, and hepatitis B vaccines to help to lessen the disease burden on these children before they mature into adults. The Centers for Disease Control and Prevention has instituted a new adolescent immunization program to increase use of newly recommended adolescent vaccines.

New Proposals

New Proposals	Sub Program	Fiscal 2010 FTE	General Fund	State Special	Federal Special	Total Funds	Fiscal 2011 FTE	General Fund	State Special	Federal Special	Total Funds
DP 70015 - Increased Funding for HIV Treatment	05	0.00	0	84,000	0	84,000	0.00	0	84,000	0	84,000
DP 70019 - Adolescent Immunization	05	0.00	0	400,000	0	400,000	0.00	0	400,000	0	400,000
Total		**0.00**	**$0**	**$484,000**	**$0**	**$484,000**	**0.00**	**$0**	**$484,000**	**$0**	**$484,000**

DP 70015 - Increased Funding for HIV Treatment - This decision package requests $84,000 in tobacco trust fund interest each year of the biennium for a state supported HIV treatment program. The requested funds would allow additional uninsured persons access to expensive HIV medication. Federal assistance has not kept pace with rising medication costs and the increasing number of Montanans who are living with HIV. Additional state dollars would supplement the federal funding and help to alleviate a waiting list for medication assistance by serving approximately twelve more individuals.

DP 70019 - Adolescent Immunization - The executive proposes $400,000 each year of the biennium in tobacco trust fund interest to purchase vaccines to support the immunization of adolescents ages 11-12, who are entering grade 7 in Montana. Funds would be used for HPV, Tdap, Hepatitis B, and Meningococcal vaccines, as well as education regarding their importance.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: Since 2005, three new vaccines formulated specifically for adolescents have been recommended by the Advisory Committee on Immunization Practices (ACIP). Meningococcal conjugate, acellular pertussis, and for females, human papillomavirus vaccines (HPV) are to be given universally starting at age 11-12 years. The HPV is a three-dose

vaccine series that will help prevent genital warts and certain types of cervical cancer. Several counties have experienced pertussis (whooping cough) outbreaks during 2008. This disease has been reported in the middle and high schools. The Immunization Program evaluated the mandated immunization rate for Tetanus/diphtheria/acellular pertussis (Tdap) vaccine in grade 7 for the 2006 and 2007 school years and learned that 24 percent of the children entering grade 7 did not have the vaccine that would protect them from developing pertussis disease, and lessen the disease burden in schools and communities. The Immunization Program would purchase the Tdap vaccine for the children in this age cohort (grades 7 & 8) who were not eligible for the vaccine through existing programs. The series to protect the children from hepatitis B requires 3 doses. However, many children have not completed this series. Hepatitis B is a liver disease that is easily communicated through blood and other body fluids. Meningococcal vaccine is critical to protect adolescents from a bacterial illness that infects the brain and spinal cord. This illness attacks children who live in close contact with others, such as dormitories or middle school lunchrooms. The vaccines are increasingly expensive. For instance, a 17 year old girl or her family could spend $639.73 to pay for all recommended vaccines. The Immunization Section estimates that 27 percent of adolescents aged 11-26 do not have adequate means for paying for the vaccines recommended by the ACIP.

Program goals: The goals are to assure that all Montana adolescents have access to affordable immunizations regardless of ability to pay and to increase educational activities for adolescent immunizations.

Outcome Measurements:

- Progress will be measured by monitoring adolescent immunization rates measured at the national and state level
- Increasing the number of adolescent immunizations recorded in Montana's Immunization Information System
- Monitoring adolescent immunization education activities

Milestones:

- Vaccine will be purchased starting July 1, 2009 and will be provided to adolescent vaccine providers
- By July 1, 2009 and January 1, for every year thereafter, county contracts will include funding for adolescent educational outreach to health care providers, adolescents and their parents, as well as data collection activities

FTE:

- The project will be overseen by the Adolescent Immunization Coordinator
- The vaccine will be shipped by the Centers for Disease Control and Prevention Contractor
- The Adolescent Immunization Coordinator and county health departments on contract will conduct educational activities
- Health care providers will deliver vaccine

Funding: If this funding is granted, 75 percent would be used to purchase vaccine and 25 percent would be used to contract with county health departments for adolescent immunization educational and data collection activities.

Challenges: None anticipated.

Risks: There have been multiple disease outbreaks in the adolescent age group and if funding is not provided, Montana can expect to see an increase in these disease outbreaks. In Montana, from 2000-2006 there were over 600 cases of pertussis and 41 percent of those infected were ages 11-19 years old. Other states have experienced mumps outbreaks among college students. There have also been measles outbreaks among adolescents in other states.

Sub-Program Details

LAB 07

Sub-Program Proposed Budget

The following table summarizes the proposed executive budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011	Total Exec. Budget Fiscal 10-11
FTE	32.00	0.00	0.00	32.00	0.00	0.00	32.00	32.00
Personal Services	1,465,382	339,188	0	1,804,570	344,586	0	1,809,968	3,614,538
Operating Expenses	1,859,780	(203,581)	304,542	1,960,741	(200,548)	304,542	1,963,774	3,924,515
Equipment & Intangible Assets	275,174	0	150,000	425,174	0	150,000	425,174	850,348
Grants	0	0	75,000	75,000	0	75,000	75,000	150,000
Total Costs	**$3,600,336**	**$135,607**	**$529,542**	**$4,265,485**	**$144,038**	**$529,542**	**$4,273,916**	**$8,539,401**
General Fund	531,604	(349,996)	330,000	511,608	(349,995)	330,000	511,609	1,023,217
State/Other Special	2,381,845	420,228	0	2,802,073	442,410	0	2,824,255	5,626,328
Federal Special	686,887	65,375	199,542	951,804	51,623	199,542	938,052	1,889,856
Total Funds	**$3,600,336**	**$135,607**	**$529,542**	**$4,265,485**	**$144,038**	**$529,542**	**$4,273,916**	**$8,539,401**

Sub-Program Description

The Laboratory Services Bureau is comprised of the environment laboratory section, the microbiology/molecular section, and the serology/newborn screening/preparedness section. The bureau focuses on the prevention and control of disease and the improvement of community health by providing testing in support of disease assessment and control.

The executive proposes $8.5 million in funding to support the bureau's various laboratory functions. Included in the proposal are:

- Statewide present law adjustments of $0.7 million
- Increased state special revenue authority for increased lab fees of $250,000
- Reductions of $0.7 million in general fund transferred from another division and included in the laboratory's base budget
- Additional federal fund appropriations of $0.4 million to support public health testing integrated into clinical laboratory testing procedures
- Provision of $0.7 million in general fund support for the Laboratory Services Bureau

The 2007 Legislature passed a major revision of public health laws. Included was the elimination of the statutory requirement that the rules imposing fees for the tests and services performed by the department's laboratory should reflect the actual costs of the tests or services provided. The statute stated that the department may not establish fees exceeding the costs incurred in performing tests and services. The elimination of the requirement allows the bureau to receive general fund support as fees no longer are required to be commensurate with the costs of providing the services.

2009 Biennium Major Goals

The following provides an update of the major goal for the Laboratory Services Bureau monitored by the LFC during the 2009 interim.

The LFC monitored the bureau's goal to reduce communicable disease in Montana through a surveillance system based on public health laboratory disease diagnosis and assessment. Measurable objectives for the goal included:

- By November 30, 2007, distribute grant monies to Boards of Health for tremolite asbestos-related disease benefit programs

- By June 30, 2009, summarize use of tremolite asbestos-related disease benefits grants, including the number of Montanans served and a breakdown of the services provided
- Through June 30, 2009, maintain accurate, reliable laboratory testing services, including human clinical and drinking water that are accessible to 95 percent of local health jurisdictions and public clinics.

Status:

The bureau distributed the grant monies for tremolite asbestos-related disease benefits to the Lincoln County Board of Health February 14, 2008. Summarization of the number of Montanans served shows 662 individuals received services through the grant. A breakdown of actual services provided is in progress. Initial reports show an average of $504 provided per individual served. However, the bureau is reconciling the services provided with the grant requirements to ensure all services were provided for tremolite asbestos-related disease benefits.

Clinical testing by the public health laboratory was provided to 55 of 56 counties or 98.2 percent during FY 2008.

2011 Biennium Major Goals

PHSD is required by law to submit goals and measurable objectives as part of the budgeting process. The LFD recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim. The PHSD submitted one goal for the 2011 biennium – Improve the health of Montanans to the highest possible level.

The measurable objective for the goal as it relates to laboratory services is to provide accurate and timely laboratory testing and results. The executive proposes the following measurements for the objective:

- Continuously increase the proportion of local health jurisdictions and public health clinics with access to accurate, reliable testing services (clinical and drinking water)

LFD ISSUE

Objectives Not Measureable or Time-bound

The new objective provided to meet the goal over the 2011 biennium does not include measurements or dates for achievement. As can be seen in the measureable objectives included for the 2009 biennium and monitored by the LFC, the previous legislature was given specific measurements and achievement dates for the bureau's goal of reducing communicable disease in Montana through a surveillance system based on public health laboratory disease diagnosis and assessment. The single measurement provided for the 2011 biennium goal does not include measurements or dates for achievement. The bureau provided the following measureable objectives for its 2009 biennial appropriations of $7.1 million:

- Through June 30, 2009, maintain full access of local health departments and other public clinics to accurate, reliable, population-based laboratory services
- Through June 30, 2009, maintain state's capacity to provide technically advanced laboratory testing for conditions that affect the health of Montanans, including unusual and emerging diseases
- Through June 30, 2009, maintain a communication system through faxes and email with Montana hospitals, clinics, and infectious disease physicians for the purpose of providing updated information related to infectious diseases
- Through June 30, 2009, continue to provide testing capable of monitoring public drinking water according to current EPA standards and to ensure that private drinking water laboratories throughout the state are capable of meeting the same EPA standards of testing
- Through June 30, 2009, maintain laboratory preparedness for testing agents of bioterrorism, and continue to develop methods of meeting expectations regarding testing for agents capable of being used for chemical terrorism

LFD ISSUE (CONT.)

As is discussed in the other narrative sections on the 2009 biennium objectives, specific measurements and achievement dates allowed the legislature to assess the need for the level of the appropriations. In addition, information on the measurements presented to the previous legislature as of January 2009 would assist the 2009 Legislature in formulating appropriations policy for the 2011 biennium.

The bureau is requesting $8.5 million in appropriations funded through a combination of general fund, state special revenues, and federal funds for the 2011 biennium. $1.9 million of the funding as is proposed supports federally supported grant activities. Most federal grant programs, including EPI and lab surveillance of E. Coli require state agencies to report on specific, quantifiable measurements as part of their program responsibilities.

Options:

- To better formulate measurable objectives for the 2011 biennium, request that the bureau provide federally required performance measurement targets for its proposed federal appropriations of $1.9 million in the 2011 biennium.
- Discuss with the bureau if it anticipates changes to its current performance measurements reviewed in the 2009 biennium
- Request the bureau submit specific, quantifiable objectives for its goal that are both measurable and time-bound

Budget Summary By Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	531,604	531,604	1,063,208	103.91 %	3,600,336	3,600,336	7,200,672	84.32 %
Statewide PL Adjustments	(6)	(5)	(11)	0.00 %	360,597	369,028	729,625	8.54 %
Other PL Adjustments	(349,990)	(349,990)	(699,980)	(68.41%)	(224,990)	(224,990)	(449,980)	(5.27%)
New Proposals	330,000	330,000	660,000	64.50 %	529,542	529,542	1,059,084	12.40 %
Total Budget	**511,608**	**511,609**	**1,023,217**		**4,265,485**	**4,273,916**	**8,539,401**	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010 FTE	Fiscal 2010 General Fund	Fiscal 2010 State Special	Fiscal 2010 Federal Special	Fiscal 2010 Total Funds	Fiscal 2011 FTE	Fiscal 2011 General Fund	Fiscal 2011 State Special	Fiscal 2011 Federal Special	Fiscal 2011 Total Funds
Personal Services					414,379					420,002
Vacancy Savings					(75,191)					(75,416)
Inflation/Deflation					798					1,000
Fixed Costs					20,611					23,442
Total Statewide Present Law Adjustments					**$360,597**					**$369,028**
DP 70011 - Authority for Laboratory to Cover Increased Expense	0.00	0	125,000	0	125,000	0.00	0	125,000	0	125,000
DP 70020 - Reduce Environmental Lab Base Budget	0.00	(349,990)	0	0	(349,990)	0.00	(349,990)	0	0	(349,990)
Total Other Present Law Adjustments	**0.00**	**($349,990)**	**$125,000**	**$0**	**($224,990)**	**0.00**	**($349,990)**	**$125,000**	**$0**	**($224,990)**
Grand Total All Present Law Adjustments					**$135,607**					**$144,038**

DP 70011 - Authority for Laboratory to Cover Increased Expense - The executive proposes $125,000 each year of the biennium to meet projected increases in DPHHS laboratory supplies and other operating expenses. The expenses for laboratory supplies and other operating expenses are expected to increase an estimated 4 percent or $125,000 each year. This estimate is based on maintaining level test volumes. The increased expenses will be covered by increased laboratory fees.

DP 70020 - Reduce Environmental Lab Base Budget - In FY 2008, the environmental lab received a program transfer of general fund, which was incorporated into the 2008 base budget. The executive proposes reducing the base budget by $349,990 to align the budget and funding to the amounts approved by the legislature for FY 2008.

New Proposals

New Proposals	Sub Program	Fiscal 2010 FTE	Fiscal 2010 General Fund	Fiscal 2010 State Special	Fiscal 2010 Federal Special	Fiscal 2010 Total Funds	Fiscal 2011 FTE	Fiscal 2011 General Fund	Fiscal 2011 State Special	Fiscal 2011 Federal Special	Fiscal 2011 Total Funds
DP 70013 - National Laboratory Systems (NLS) Grant	07	0.00	0	0	199,542	199,542	0.00	0	0	199,542	199,542
DP 70022 - Restore General Fund for Public Health Labs	07	0.00	330,000	0	0	330,000	0.00	330,000	0	0	330,000
Total		**0.00**	**$330,000**	**$0**	**$199,542**	**$529,542**	**0.00**	**$330,000**	**$0**	**$199,542**	**$529,542**

DP 70013 - National Laboratory Systems (NLS) Grant - The executive requests $199,542 in federal funding for each year of the biennium to integrate clinical laboratories into public health testing. The purpose of the funding is to facilitate high quality and timely public health laboratory testing that is done in local hospitals and clinics, to facilitate better detection of diseases and tracking of public health threats, and to maintain consistent standards of testing at all clinical laboratories in Montana.

DP 70022 - Restore General Fund for Public Health Labs - The executive proposes $330,000 for each year of the biennium in general fund support for both the Public Health and Environmental Laboratories. The Laboratory Services Bureau's primary mission is to support public health programs and to provide scientific expertise in emergencies. Fees alone have not covered expenses for the services. Despite several significant fee increases, the DPHHS laboratory fee funds have been short an average of approximately $180,000 per year over the last 9 years. Negative balances were offset in those years by general fund short term loans and transfers. In addition, $150,000 per year is requested for equipment replacement.

LFD ISSUE

Funding for the Laboratory Services Bureau

The PHSD is required by statute to maintain both a public health and environmental laboratory (labs). The environmental laboratory function provides analyses for the Safe Drinking Water Act, and testing under the Clean Water Act, the National Pollutant Discharge Elimination Systems, the Clean Air Act, and the Dyed Fuel Program for the Montana Department of Transportation. Tests are provided for private well owners under the Safe Drinking Water Act. The public health laboratory function provides services to identify and confirm the cause of a wide variety of diseases, and plays a role in statewide surveillance of conditions of public health importance such as tuberculosis outbreaks. The public health lab also conducts tests that are unavailable elsewhere in the state.

The labs have been traditionally funded with fees for the services provided and federal grants. During FY 2008, DPHHS transferred $350,000 in general fund to the Laboratory Services Bureau for support of operating expenses. The labs used the funding for operating expenses related to equipment and supplies and to purchase new equipment for the environmental functions of the lab.

The funding matrix for the labs is a policy decision of the legislature. Approving this decision package would establish a new policy to provide on-going general fund support to the labs. This proposed policy supports the idea that the general public benefits from having the public health and environmental labs. If the main objective of the labs is to provide timely, official, objective and accurate test results to hospitals, physicians, outpatient clinics, or private residents interested in their well water safety, then there may not be a direct correlation to the general public. However, if the labs provide surveillance for disease outbreaks or contamination of ground water, and monitors and notifies the public of associated potential health risks, there would be a public health benefit to the lab.

The executive's proposal would create a funding matrix of 12 percent general fund, 66 percent lab fees, and 22 percent federal funds. The fees for the lab are set in rule and at the control of the division. While the executive considers increasing the fees, the increases are not sufficient to support the operating expenses or equipment purchases at the levels proposed in the budget. This proposal makes the assumption that the labs' new fees are adequate rates, there are no other alternative sources of state special revenue, and there is a public health benefit to having the public health and environmental labs. The legislature may wish to consider one or more of the following:

- Establish a statutory funding formula. This options would require a committee bill
- Do not establish a funding formula in statute, but establish a funding formula through appropriations that reflects legislative policy
    - Fund the executive request
    - Establish some other formula that reflects policy on how much the labs provide a general public benefit and how much the private entities benefit with having the labs
- Deny the decision package and request the department establish fees at a level to support the labs

Sub-Program Details

PUBLIC HEALTH SYS IMPROV & PREPAREDNESS 09

Sub-Program Proposed Budget

The following table summarizes the proposed executive budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011	Total Exec. Budget Fiscal 10-11
FTE	21.42	0.00	0.00	21.42	0.00	0.00	21.42	21.42
Personal Services	1,246,913	(12,736)	0	1,234,177	(8,657)	0	1,238,256	2,472,433
Operating Expenses	1,296,016	9,629	0	1,305,645	11,605	0	1,307,621	2,613,266
Equipment & Intangible Assets	45,137	0	0	45,137	0	0	45,137	90,274
Grants	5,728,008	0	0	5,728,008	0	0	5,728,008	11,456,016
Total Costs	**$8,316,074**	**($3,107)**	**$0**	**$8,312,967**	**$2,948**	**$0**	**$8,319,022**	**$16,631,989**
Federal Special	8,316,074	(3,107)	0	8,312,967	2,948	0	8,319,022	16,631,989
Total Funds	**$8,316,074**	**($3,107)**	**$0**	**$8,312,967**	**$2,948**	**$0**	**$8,319,022**	**$16,631,989**

Sub-Program Description

The fully federally funded Office of Public Health Preparedness and Training (office) provides leadership in emergency preparedness in working with county and tribal health departments and hospitals around Montana. It is also a part of the state's emergency preparedness system and works with the Department of Military Affairs to implement the requirements of the Public Health Security and Bioterrorism Preparedness and Response Act of 2002 (Act). The Act establishes opportunities for states and local governments to conduct evaluations of public health emergency preparedness, and enhances public health infrastructure and the capacity to prepare for and respond to public health emergencies. The Act addresses the following in relation to public health emergencies:

- New controls on biological agents and toxins
- Additional safety and security measures affecting the nation's food and drug supply
- Additional safety and security measures affecting the nation's drinking water
- Measures affecting the Strategic National Stockpile and development of priority countermeasures to bioterrorism

The office funding decreases slightly when compared to the 2009 biennium due to statewide present law adjustments.

2009 Biennium Major Goals

The following provides an update of the major goal for the office monitored by the LFC during the 2009 interim.

The LFC monitored the office's goal to provide a strong and prepared public health system that provides the foundation to respond to emergencies with a well-trained workforce. Measurable objectives for the goal included:

- By June 30, 2009, 75 percent of Montana's local and tribal health jurisdictions, in collaboration with local hospitals/clinics will have participated in multi-jurisdictional pandemic influenza exercises that are evaluated, and result in improved response plans
- By June 30, 2009, the PHSD will make public health training and continuing education opportunities available that are accessible to 85 percent of Montana's public health workforce on an on-going basis

<u>Status:</u>

The bureau conducted a statewide exercise focused on the submission and review of medical resource requests with 95 percent of local jurisdictions participating. Approximately 50 percent of Montana's county and tribal health agencies participated in collaborative exercises related to pandemic influenza that tested command and medical systems.

The Montana Training and Communication Center on-line courses allow all public health professionals to access over 100 courses with 5 new courses added each month. In addition, the Summer Public Health Institute provided a week

long educational class with 8 courses provided to 60 public health professionals. Finally, 60 state health professionals attended intensive 5 day courses at the Centers for Domestic Preparedness in Anniston, Alabama.

2011 Biennium Major Goals

PHSD is required by law to submit goals and measurable objectives as part of the budgeting process. The LFD recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim.

The PHSD submitted one goal for the 2011 biennium – Improve the health of Montanans to the highest possible level. The measurable objective for the goal as it relates to the Office of Public Health Preparedness and Training is to prepare the public health system to respond to public health events and emergencies. The executive proposes the following measurements for the objective:

- All local jurisdictions will participate in a public health emergency exercise every other year
- Continuously increase the proportion of public health workers that have participated in public health training and continuing education opportunities

LFD ISSUE

Measurements and time-bound dates needed for second objective.

The second new objective provided to meet the goal over the 2011 biennium does not include measurements or dates for achievement. As can be seen in the measureable objectives included for the 2009 biennium and monitored by the LFC, the previous legislature was given specific measurements and achievement dates for the bureau's goal of providing a strong and prepared public health system that provides the foundation to respond to emergencies with a well-trained workforce. The bureau provided the following measureable objectives for its 2009 biennial appropriations of $22.0 million:

- By June 30, 2009, 75 percent of Montana's local and tribal health jurisdictions, in collaboration with local hospitals/clinics, will have participated in multi-jurisdictional pandemic influenza exercises that are evaluated, and result in improved response plans
- By June 30, 2009, the PHSD will make public health training and continuing education opportunities available that are accessible to 85 percent of Montana's public health workforce on an on-going basis

As is discussed in the other narrative sections on the 2009 biennium objectives, specific measurements and achievement dates allowed the legislature to assess the need for the level of the appropriations. In addition, information on the measurements presented to the previous legislature as of January 2009 would assist the 2009 Legislature in formulating appropriations policy for the 2011 biennium.

The bureau is requesting $16.6 million in appropriations funded through federal funds for the 2011 biennium. Most federal grant programs, including Bioterrorism Hospital Preparedness and Bioterrorism require state agencies to report on specific, quantifiable measurements as part of their program responsibilities. To better formulate measurable objectives for the 2011 biennium, the legislature may wish to request that the bureau provide federally required performance measurement targets for its proposed federal appropriations of $16.6 million in the 2011 biennium.

The proposed executive objectives do not provide the legislature with sufficient, specific, quantifiable information to enable the legislature to formulate an appropriations policy regarding the program as required by statute. The legislature may also wish to discuss if the bureau anticipates changes in its current performance for the measurements reviewed in the 2009 biennium.

Option: The legislature may wish to request the PHSD submit specific, quantifiable objectives for its goal which are both measurable and time-bound.

Budget Summary By Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	0	0	0	0.00 %	8,316,074	8,316,074	16,632,148	100.00 %
Statewide PL Adjustments	0	0	0	0.00 %	(3,107)	2,948	(159)	0.00 %
Other PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	**0**	**0**	**0**		**8,312,967**	**8,319,022**	**16,631,989**	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010					Fiscal 2011				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					38,690					42,938
Vacancy Savings					(51,426)					(51,595)
Inflation/Deflation					2,129					2,400
Fixed Costs					7,500					9,205
Total Statewide Present Law Adjustments					**($3,107)**					**$2,948**
Grand Total All Present Law Adjustments					**($3,107)**					**$2,948**

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	120.48	120.48	121.23	121.23	120.48	121.23	0.75	0.62%
Personal Services	6,313,406	6,924,954	6,938,075	6,953,800	13,238,360	13,891,875	653,515	4.94%
Operating Expenses	1,531,579	1,585,794	1,870,537	1,871,162	3,117,373	3,741,699	624,326	20.03%
Equipment & Intangible Assets	7,500	7,645	7,500	7,500	15,145	15,000	(145)	(0.96%)
Grants	550,380	539,697	550,380	550,380	1,090,077	1,100,760	10,683	0.98%
Total Costs	**$8,402,865**	**$9,058,090**	**$9,366,492**	**$9,382,842**	**$17,460,955**	**$18,749,334**	**$1,288,379**	**7.38%**
General Fund	2,478,359	2,734,220	2,905,162	2,867,731	5,212,579	5,772,893	560,314	10.75%
State Special	131,602	140,458	250,451	250,631	272,060	501,082	229,022	84.18%
Federal Special	5,792,904	6,183,412	6,210,879	6,264,480	11,976,316	12,475,359	499,043	4.17%
Total Funds	**$8,402,865**	**$9,058,090**	**$9,366,492**	**$9,382,842**	**$17,460,955**	**$18,749,334**	**$1,288,379**	**7.38%**

Program Description

The role of the Quality Assurance Division (QAD) is to protect the safety and well-being of Montanans by monitoring and ensuring the integrity and cost-effectiveness of programs administered by the department. The Quality Assurance Division (QAD) fulfills this roll by providing comprehensive services that:

- Protect the safety of clients that utilize Montana's health care, day care, and residential providers through licensure of 2,358 facilities. Of these facilities, 293 are certified by QAD for participation in the Medicare and Medicaid programs;
- Detect and investigate abusive or fraudulent practices affecting the Medicaid, TANF, and Supplemental Nutrition Assistance (Food Stamp) programs, and initiate recovery efforts;
- Reduce Medicaid costs by identifying other insurers or parties responsible for paying a client's medical expenses;
- Provide both internal and external independent audits for DPHHS programs;
- Provide independent fair hearings for clients and providers participating in DPHHS programs;
- Monitor and evaluate health maintenance organizations for quality assurance and network adequacy;
- Maintain Certified Nurse Aide Registry;
- Approve and monitor Nurse Aide Training programs;
- Operate the Certificate of Need (CON) Program; and
- Operate the internal Health Insurance Portability and Accountability Act function for the Department.

The division has field offices in Anaconda, Billings, Bozeman, Great Falls, Havre, Hinsdale, Kalispell, Miles City, and Missoula.

Statutory authority: 42 U.S.C. 1818 and 42 U.S.C. 1919; 45 U.S.C.; Title 50, Chapter 5, parts 1 and 2; Title 50, Chapter 5,part 11; Title 52, Chapter 2, part 7; and Title 53, Chapter 2, section 501 MCA; CFR 21,CFR 49, CFR 10; P.L. 102-359 (10-27-92).

Program Highlights

Quality Assurance Division Major Budget Highlights
♦ The QAD 2011 biennium budget increases 7.4 percent or $1.3 million as compared to 2009 biennium ♦ $1.2 million of the increase is due to statewide present law adjustments
Major LFD Issues
♦ Funding shifts of $0.3 million are contained in statewide present law adjustments ♦ QAD's goal does not have specific measurements included as part of the objectives

Program Narrative

The Quality Assurance Division 2011 biennium budget request is 7.4 percent higher than the 2009 biennium. Half of the overall increase is generated from increases in personal services costs and the remaining half of the increase is for operating expenses related to lien and estate recoveries, computer system enhancements for surveillance, and workload increases initiated by the Centers for Medicare and Medicaid (CMS) requirements for federal programs. A discussion on these components is included in decision packages for present law adjustments and new proposals further in this section.

The 2007 Legislature approved $0.7 million to implement the Medicaid Payment Error Program (PERM) required by the federal Improper Payments Information Act. Funds support 8.00 FTE performing retrospective reviews of Medicaid and Children's Health Insurance Program (CHIP) eligibility and medical necessity of services. Each state is required to estimate improper payments in Medicaid and CHIP. PERM testing is conducted every three years. The reviews require approximately two years to complete. The final results for Montana will be published in the U.S. Department of Health and Human Services performance and accountability report in November 2009. The next PERM review for Montana would begin October 1, 2010 or three months into FY 2011.

The 2007 Legislature approved utilizing the PERM staff to conduct focused reviews of eligibility for high cost, complex Medicaid cases during the time periods when staff is not conducting PERM reviews. The first of the focused reviews will be started in FY 2010. Further information is included in the funding discussion.

2009 Biennium Major Goals

The following provides an update of the major goals monitored by the Legislative Finance Committee (LFC) during the 2009 interim.

The LFC monitored the overall program goals to:

- Implement the Payment Error Rate Measurement (PERM) process as required by the CMS
- Take all reasonable measures under the Social Security Act to ascertain the legal liability of "third parties" for health care items and services provided to Medicaid recipients
- Provide timely and impartial hearings and decisions for adversely affected parties disputing facts and/or law involving DPHHS administered programs
- Provide timely and impartial Informal Dispute Resolutions (IDR) conferences and recommendations for nursing home facilities disputing DPHHS cited deficiencies

Status

The goal to implement the PERM process as required by CMS is measured by the following:

- Complete the required number of reviews pursuant to the federal guidelines
- Monthly review of 84 active cases and 34 negative cases for Medicaid and CHIP
- Complete the cases in 100 days from the date sampled and report the results to CMS

To date, the QAD has completed the reviews required by CMS. However, this is an ongoing process and additional reviews are required throughout the PERM process. QAD has completed 1,060 eligibility reviews within the federal timeliness guideline of 150 days. Of that, 95 percent of the cases were completed within the internal guideline of 100 days and 100 percent within 120 days.

The goal to take all reasonable measures under the Social Security Act to ascertain the legal liability of "third parties" for services to Medicaid recipients was measured using the following:

- Evaluate and improve the systems for the identification of Medicaid recipients with Medicare and/or other health insurance
- Maintain the number of people with Medicaid and Medicare subject to change in Medicaid enrollment
- Increase the number of Medicaid recipients with other health insurance 1 percent per year
- Ensure Medicaid health care costs are avoided by requiring other health insurance companies pay before Medicaid
- Increase the Medicaid cost avoidance per person with Medicare and/or other insurance by 5 percent per year

QAD is able to access information on dually eligible recipients through CMS data systems. CMS systems ensure Medicaid cost avoidance through edits which require Medicare to pay for the services prior to Medicaid making payments. QAD staff work to ensure other insurance coverage pays for services prior to Medicaid making payments to providers.

QAD measurements for the objectives included the total amount of cost avoidance, which increased by 4 percent between FY 2007 and FY 2008, and the average monthly amount of costs avoidance, which increased by 5 percent from $6,231 to $6,552. Another measurable objective, the percentage of Medicaid recipients with other health insurance, decreased by 11 percent in FY 2008. QAD took over the discovery process for determining which Medicaid recipients have third party insurance coverage in FY 2006. In FY 2008, even though the number of Medicaid recipients identified with third party insurance coverage decreased by 11 percent, the cost avoidance per person increased by 0.3 percent.

The goal to provide timely and impartial hearings and decisions for adversely affected parties disputing facts and/or law involving DPHHS administered programs had two measurable objectives:

1. Maintain fair and impartial Office of Fair Hearings decisions within state and federal guidelines as measured by appeals received; and
2. Maintain a 90 percent timely decision percentage for all IDR recommendations within statutory timelines for the calendar year.

QAD reported that 98 percent of hearing decisions and orders were rendered in a timely manner as required by state and federal statutory guidelines in FY 2008. The division did not report on the number of appeals received, which was the measurement for maintaining fair and impartial decisions.

Challenges

The goal to provide timely and impartial informal dispute resolutions (IDR) conferences and recommendations for nursing home facilities disputing DPHHS cited deficiencies was measured using the following objectives:

- Maintain fair and impartial Office of Fair Hearings IDR decisions within state guidelines
- Maintain a 90 percent timely decision percentage for all IDR recommendations within statutory timelines for the calendar year

QAD reported 50 percent of IDR opinions were rendered in a timely manner in calendar year 2008 as of August 31, 2008. Staff shortages resulting from vacations, sick leave, and retirement within the Office of Fair Hearings shifted the

IDR presiding officer to administrative hearing cases rather than informal disputes. QAD referred a number of the hearing appeals to the Department of Justice until the Office of Fair Hearings is fully staffed. For a discussion of retention and recruitment issues of the division refer to the Personal Services section.

2011 Biennium Major Goals

The division is required by law to submit goals and measurable objectives as part of the budgeting process. The LFD recommends that the legislature adopt specific goals and corresponding objectives for monitoring during the interim. QAD submitted only one goal for the 2011 biennium:

Continuous improvement in DPHHS's efforts to protect the health, safety, and well being of Montanans by:

- Maintaining an environment that promotes Montana health care facilities, youth care facilities, child care facilities, and facilities serving individuals with physical and developmental disabilities to be in compliance with applicable laws and regulations
- Provide program integrity oversight, audit, and impartial decisions that enhance the effectiveness and efficiency of department operations.

Objectives for the goal include:

- Perform licensure inspections and certification surveys for the respective facilities and providers as established within the applicable state and federal laws
- Provide program integrity oversight and maximize cost avoidance and recoveries for applicable agency programs in accordance with state and federal laws
- Conduct independent audits of agency programs and services and provide agency management with evaluations of internal work processes
- Provide timely and impartial administrative hearings and decisions and Informal Dispute Resolution (IDR) conferences and recommendations.

LFD ISSUE

QAD Does not Include Specific Time-Bound Measurements Within its Objectives

QAD provides measurements for the objectives are part of their overall submission of goals and objectives. However, the majority of the items listed as measurements do not include an actual measurement for the 2011 biennium. For example, to measure licensure inspections and certification surveys for the respective facilities two of the measurements are:

- Perform licensure inspections and issue licenses for the respective facilities as established within state law
- Perform all recertification surveys for certified health care facilities according to federal and state schedules

The objectives are for two of QAD bureaus, the Licensure and Certification bureaus. The Licensure Bureau proposes appropriations of $2,155,656 and $2,160,192 in FY 2010 and FY 2011, respectively, in part to support 30.96 FTE. The Certification Bureau proposes appropriations of $2,567,926 and $2,570,432 in FY 2010 and FY 2011 with 31.88 FTE. The number of facilities that QAD licenses increased 8 percent between FY 2006 and FY 2008, from 2,178 facilities to 2,358, the number of health care facilities surveyed to participate in either Medicare or Medicaid remained constant at 293. QAD is requesting $118,000 in additional federal funding for the biennium to meet the workload demand outlined in CMS task orders addressing increased numbers of health care facility surveys but is not requesting additional appropriations for licensure above those included in statewide present law adjustments. Without including measurements such as:

- the total number of facilities licensed and surveyed in Montana
- the number of licensure inspections each year of the biennium
- the number of certification surveys each year of the biennium
- the percentages of certification surveys completed in the required timelines in the current biennium
- the percentage of licensure inspections completed within required timelines in the current biennium
- the estimated percentage of certification surveys to be completed in the required timelines in the 2011 biennium
- the estimated percentage of licensure inspections to be completed in the required timelines in the 2011 biennium

LFD ISSUE (CONT.)

The legislature does not appear to have sufficient information to determine the need for the additional federal appropriations or the adequacy of the current appropriations as they relate to performing licensure inspections and certification surveys. For example, with specific measurements the legislature would be able to answer the following questions related to the requested appropriations:

- Did the Licensure Bureau achieve 100 percent of their licensure inspections in a timely manner in FY 2008 in spite of an 8 percent increase in total facilities?
- If not, what percentage did it achieve?
- Does the proposed budget support this same percentage of inspections completed in a timely manner, a lower or higher percentage?
- If the percentage is less than 100 percent, what additional support would be required to achieve 100 percent completion in a timely manner?
- Are there federal incentives or punitive assessments for failure to meet a certain percentage of timely surveys?

The other measurable objectives submitted for this division also lack specific measurements to assist the legislature in making a decision as to the adequacy and necessity of the appropriations.

The legislature may wish to discuss with the division appropriately written objectives to the goal.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Governor.

Program Funding Table
Quality Assurance Division

Program Funding		Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000	Total General Fund	$ 2,478,359	29.5%	$ 2,905,162	31.0%	$ 2,867,731	30.6%
	01100 General Fund	2,478,359	29.5%	2,905,162	31.0%	2,867,731	30.6%
02000	Total State Special Funds	131,602	1.6%	250,451	2.7%	250,631	2.7%
	02034 Earmarked Alcohol Funds	66,496	0.8%	68,104	0.7%	68,202	0.7%
	02380 02 Indirect Activity Prog 08	12,610	0.2%	12,987	0.1%	13,015	0.1%
	02497 6901-Lien & Estate - Sltcd	27,033	0.3%	118,533	1.3%	118,533	1.3%
	02566 Medical Marijuana	25,463	0.3%	50,827	0.5%	50,881	0.5%
	02789 6901-Chip/Mcha Tobacco Sett Fd	-	-	-	-	-	-
03000	Total Federal Special Funds	5,792,904	68.9%	6,210,879	66.3%	6,264,480	66.8%
	03096 Discretionary Child Care	571,775	6.8%	570,757	6.1%	570,654	6.1%
	03181 Paris State Partnership Grant	-	-	-	-	-	-
	03251 Child Care Admin	114,816	1.4%	114,612	1.2%	114,592	1.2%
	03288 Med Transf Grnt Lien & Est Rec	-	-	-	-	-	-
	03303 Title 18 Clia	75,791	0.9%	81,557	0.9%	81,716	0.9%
	03335 Fda Mammography Inspections	38,834	0.5%	38,834	0.4%	38,834	0.4%
	03426 Chip Program Fed	111,953	1.3%	(5)	0.0%	126,354	1.3%
	03530 6901-Foster Care 93.658	89,949	1.1%	89,253	1.0%	89,461	1.0%
	03580 6901-93.778 - Med Adm 50%	682,854	8.1%	1,051,159	11.2%	967,242	10.3%
	03597 03 Indirect Activity Prog 08	1,407,139	16.7%	1,406,791	15.0%	1,411,536	15.0%
	03934 Title 19	663,917	7.9%	725,039	7.7%	727,072	7.7%
	03935 Title 18	1,451,465	17.3%	1,543,107	16.5%	1,547,094	16.5%
	03948 T-19 Obra Nurse Aid	28,909	0.3%	22,995	0.2%	23,140	0.2%
	03960 Rural Hospital Flexibilty Prog	555,502	6.6%	566,780	6.1%	566,785	6.0%
Grand	Total	$ 8,402,865	100.0%	$ 9,366,492	100.0%	$ 9,382,842	100.0%

The Quality Assurance Division is funded primarily with federal funds (66.8 percent of the 2011 biennium appropriation). General fund supports about 30.6 percent of program costs with the remaining 2.7 percent of budgeted expenditures supported by state special revenues.

General fund supports a portion of the administrative functions, the state match for Medicaid and Title IV-E (foster care) eligible costs, child care and community residential licensure, fair hearings, informal dispute resolutions, mental health evaluations, and program compliance; and the full cost of radiological equipment testing, certificate of need determinations, and state licensure.

LFD ISSUE

General Fund Support Increases Above the 2008 Base for a Number of Functions

The executive proposes increasing the percentage of general fund support for the following functions:

- Division administration
- Fair hearings
- Licensure administration
- Community residential licensure
- Audit bureau

The functions listed above are supported through the cost allocation plan DPHHS has with the federal government. The cost allocation impacts the way the projects are funded, and percentages are changed quarterly based upon the cost allocation reports received from BFSD. The methodology QAD utilized for funding the indirect costs for the 2011 biennium is based upon averages of all of the QAD indirect funded programs. Using the averages for the budget results in a significant increase to the costs supported by general fund.

The funding switch is included as part of the adjusted base, statewide present law adjustments, and the decision package for rent funding. Statewide present law adjustments do not include specific decision points for the legislature to determine its support for increased general fund support for the functions discussed above. Figure 30 shows the FY 2008 base general fund as compared to the increased general fund support included in the executive's proposed budget.

As shown in Figure 30, the funding switch increases the general fund support to QAD by $179,166 over the 2011 biennium. $3,241 of funding switch is included in the rent funding, while the remainder is part of either base or statewide present law adjustments. State special and federal funding support was decreased by the same amount in the listed functions.

Figure 30
Quality Assurance Division
Changes to Base Funding Include in Adjustments

	Actual FY 2008 General Fund %	Proposed 2011 Biennium General Fund %	Changes to General Fund
Division Administration	31.32%	40.00%	$97,765
Indirect Dispute Resolution	12.83%	12.50%	-40
Fair hearings	37.47%	40.00%	19,741
Licensure administration	36.52%	40.00%	5,875
Program Compliance	43.60%	40.00%	-34,895
HIPPA	45.11%	40.00%	-1,022
SURS	24.99%	25.00%	123
PC Bureau Administration	43.76%	40.00%	-5,298
Audit Bureau	30.19%	40.00%	96,917
Total Funding Switched			$179,166

Option
The legislature may wish to request a separate decision package to consider the funding switch included in the base and statewide present law adjustments.

LFD COMMENT

Child care licensure funding also changes through statewide present law adjustments but for a different reason; the federal funding for the licensure reviews is not keeping up with program costs. Child care licensure Title IV E federal funding is transferred from the Human and Community Services Division to provide for licensure of foster care homes. While the number of foster care homes has not increased significantly, the Title IV-E amount has decreased over the last several years. Personal service costs make up the majority of the program costs. While federal funding has declined, personal service costs for the program have increased resulting in increased general fund for the program. In the 2011 biennium, the executive proposes increasing the percentage of general fund supporting the program from 19.18 percent to 27.89 percent or $165,600 over the biennium

State special revenue supporting the division includes alcohol taxes allocated to DPHHS, lien and estate recoveries for Medicaid services, medical marijuana registry fees, and indirect cost recovery funds. Alcohol taxes fund staff and operational costs for chemical dependency program licensure. Lien and estate funds pay for services to pursue recoveries for the costs of Medicaid, mainly for nursing home services. Medical marijuana registry fees cover the cost of administering the registry.

There are 12 separate federal funding sources in the Quality Assurance Division budget request. Some of the federal sources support more than one function. For instance, Medicaid funds support: 1) third party recovery; 2) the surveillance, utilization, and review unit; 3) the nurse aide registry for nursing homes; and 4) the Department of Justice fraud surveillance contract. Medicaid and Medicare funds support certification of services such as nursing home and home health services. CHIP funds support PERM testing in FY 2011. Medicare CLIA (clinical laboratory improvement amendments) pays for reviews of some laboratories in order to qualify the labs for federal funding. The rural hospital flexibility grant supports grants and other activities for local hospitals to maintain their critical access hospital status. Childcare discretionary and administrative funding supports licensure of childcare facilities. Title IV E pays the federal share of costs of licensing community residential facilities to provide foster care. Mammography funds pay for contracted inspections of mammography equipment. Federal indirect funding represents the federal share of allocated administrative costs, such as those for fair hearings and administrative costs.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	2,478,359	2,478,359	4,956,718	85.86%	8,402,865	8,402,865	16,805,730	89.63%
Statewide PL Adjustments	331,789	338,650	670,439	11.61%	604,068	621,610	1,225,678	6.54%
Other PL Adjustments	65,764	27,322	93,086	1.61%	93,016	103,518	196,534	1.05%
New Proposals	29,250	23,400	52,650	0.91%	266,543	254,849	521,392	2.78%
Total Budget	**$2,905,162**	**$2,867,731**	**$5,772,893**		**$9,366,492**	**$9,382,842**	**$18,749,334**	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	Fiscal 2010					Fiscal 2011				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					873,348					889,715
Vacancy Savings					(287,470)					(288,123)
Inflation/Deflation					18,043					19,670
Fixed Costs					147					348
Total Statewide Present Law Adjustments					**$604,068**					**$621,610**
DP 80001 - Annualization FTE Utilization	0.25	0	0	13,748	13,748	0.25	0	0	13,753	13,753
DP 80006 - Address CMS Task Orders and Workload	0.00	0	0	59,000	59,000	0.00	0	0	59,000	59,000
DP 80007 - PERM Funding	0.00	56,175	0	(56,175)	0	0.00	12,754	0	(12,754)	0
DP 80008 - Rent Funding	0.00	9,589	222	10,457	20,268	0.00	14,568	337	15,860	30,765
Total Other Present Law Adjustments	**0.25**	**$65,764**	**$222**	**$27,030**	**$93,016**	**0.25**	**$27,322**	**$337**	**$75,859**	**$103,518**
Grand Total All Present Law Adjustments					**$697,084**					**$725,128**

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- **Market Rate** - QAD estimates it will be at 87 percent of the market relative to the 2008 market survey after implementing the HB 13 pay adjustments. This is below the overall agency target of 100 percent. QAD experiences some difficulties regarding recruitment due to market ranges for positions. For some positions in QAD the specific job skills are only available from a small applicant pool, such as workers with health care experience in nursing, individuals with auditing skills and analytical skills, and individuals willing to travel for the state. QAD has made some progress in the progression to market based upon the 2006 market survey data.
- **Vacancy** - QAD does have some occupations that experience turnover that can result in extended vacancy rates. Occupations such as Facility Surveyors and Compliance Specialists have historically been positions in QAD that experience turnover. Facility Surveyors, which are mostly nurses and other health care professionals, are required to travel and perform difficult tasks associated with the job. Compliance Specialists are subject to outside market competition, wage issues, and experience regarding the complexities of the public programs administered by the agency. There has been a minimal impact to division operations as positions have been filled as soon as possible after notification of a person vacating a position. The vacancies do result in increased workload for other staff, and a prioritization of duties and projects that ultimately result in tasks being delayed.
- **Legislatively applied vacancy savings** - The program has operated within the 4 percent vacancy savings. The program has experienced some positions that have been left open for a period of time due to issues regarding recruitment. This turnover has generated sufficient vacancy savings.
- **Pay Changes** - Six positions were given pay increases outside of HB 13. The increases were to create equity within the division. The increases were funded using vacancy savings.
- **Retirements** - 77 employees (65 percent of total program workforce) will be eligible for retirement. Based on current trends and projections QAD estimates that 14 employees will retire with an anticipated compensated absence liability of $114,072. The division is concerned about the planned and potential retirements of several staff members and is taking steps for knowledge sharing and cross training.

<u>DP 80001 - Annualization FTE Utilization -</u> The executive proposes increased federal support of $27,501 for 0.25 FTE, funded through the Montana Rural Hospital Flex Grant, to manage increased functions and oversight.

DP 80006 - Address CMS Task Orders and Workload - This request is for $118,000 in additional federal funding for the biennium for the Certification Bureau to meet the workload demand outlined in the CMS task orders addressing increased technology requirements, increased emergency preparedness planning, and increased number of health care facility surveys.

DP 80007 - PERM Funding - The PERM audits are performed every three years and take approximately two years to complete. In the third year of the cycle, staff does not perform PERM related reviews. FY 2010 is the third year of the current PERM cycle. PERM staff will conduct reviews of eligibility for high cost, complex Medicaid cases in FY 2010. In FY 2011, PERM staff will begin the second PERM review for both the Medicaid and CHIP programs. This decision package provides for the changes in funding due to the shifting duties of the staff. The executive proposes an increase of $68,929 in general fund and an offsetting reduction in federal funds over the biennium and asks that the funding be non-restricted.

DP 80008 - Rent Funding - This decision package addresses rent increases that are built into the lease agreements for staff offices around Montana.

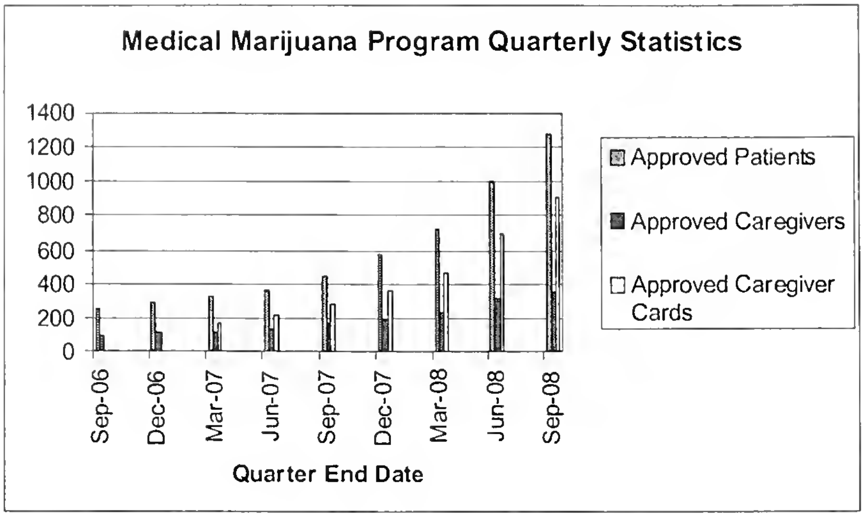
New Proposals

New Proposals										
	Fiscal 2010					Fiscal 2011				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 80002 - FTE For Medical Marijuana Program										
08	0.50	0	25,043	0	25,043	0.50	0	25,049	0	25,049
DP 80009 - Lien and Estate Funding										
08	0.00	0	91,500	91,500	183,000	0.00	0	91,500	91,500	183,000
DP 80010 - Data Systems Maintenance										
08	0.00	0	0	0	0	0.00	23,400	0	23,400	46,800
DP 80011 - CHIMES Enhancements										
08	0.00	29,250	0	29,250	58,500	0.00	0	0	0	0
Total	**0.50**	**$29,250**	**$116,543**	**$120,750**	**$266,543**	**0.50**	**$23,400**	**$116,549**	**$114,900**	**$254,849**

DP 80002 - FTE For Medical Marijuana Program - The Quality Assurance Division is requesting an additional 0.50 FTE for the Medical Marijuana Program (MMP) to address the increased workload MMP is experiencing due to significant growth in the number of approved patients and caregivers in the program. This request is for $50,092 in state special funds.

The following information is provided to that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: Since Montana voters approved the Medical Marijuana Act, the program has increased from 176 patients in FY 2005 to 1,006 patients registered in FY 2008. In addition to this increase, the program has also experienced an increase of 124 percent in the number of caregivers on the registry in FY 2008, from 139 to 311. In the four months since the beginning of FY 2009, 416 new patients have been approved for the program, and as of the end of October 2008 the MMP registry had 1,424 patients and 413 caregivers on the registry. See chart on the following page



The growth over the past year has placed significant administrative burden on the Quality Assurance Division to process applications and account for changes in the designation of caregivers. Each year registered patients must renew their status on the registry and pay a fee of $50.00 for the administration of the registry.

QAD has 0.50 FTE designated for the administration of the MMP. The person responsible for this program is designated as half time on the MMP and half time on the state licensing program for healthcare providers. With the increased workload under the MMP this individual has been working almost full time on the MMP to process all the patient applications and approve caregivers within the statutory timelines. This has resulted in workload issues for the state licensing program that are being addressed by authorization of overtime or compensatory time, or the hiring of temporary staff.

The MMP has grown so much over the past year that it needs the attention of a full time FTE to handle the workload that is expected in the next biennium. QAD has adjusted the workload to address the current and short term needs of the program and with the expected continued growth in the program; a long term solution is needed to make the MMP administration a full time position.

Project Outcome(s):

1. A full time licensing tech allows for program continuity for public inquiry, patient and caregiver contact, law enforcement inquiry and for the processing and approval of registrants and their caregivers, to print and mail registration cards.
2. Designating a full time FTE the program can help ensure registrant's confidentiality, as it is a misdemeanor offence for anyone to broach any registrant's confidentiality.
3. Designating a full time FTE limits the number of staff that may need access to the registry and the administration of "confidentiality statements" for staff that have access to the registry. Please note that temporary staff cannot respond to any law enforcement or patient inquiries. The Montana Medical Marijuana Act permits "employees" of the department to access information on the data base only if their job requires it.

Performance Criteria:
Progress toward meeting each milestone is measured by the immediate completion and implementation of each listed milestone.

Milestones: Key activities to the proposal will be implemented immediately on approval. No staff development or training is required as the individual responsible for the administration of the MMP will be assigned full time to the MMP.

1. Ensure compliance with the timelines established in statute to process, approve, and issue a MMP registry card.
2. Ensure no patient is required to wait for program approval because the program staff is unable to process application in a timely manner
3. Ensure full time staffing of the program to address correspondence and applications in a timely manner.
4. Ensure a full time contact for law enforcement regarding registry information that is available during state government's establish business hours of 8 a.m. – 5 p.m., M-F.

FTE: The work will be performed by the incumbent licensing tech presently performing the work of the registry at 0.50 FTE. There will be no recruitment, hiring, or training associated with this request for the MMP. QAD will take the 0.50 FTE, currently included in the job profile of the incumbent for state licensure functions, and hire this 0.50 FTE for the administration of the state licensure activities. This is expected to eliminate the need for overtime, compensatory time, or the need for temporary workers to handle the workload of the state licensure program.

Funding: The Medical Marijuana Act at 50-46-210 MCA provides that the MMP is self funded from participant fees of approved patients for all operations cost. Therefore, there is no general fund cost and the MMP does not utilize federal funding. There is no new revenue source as the program will utilize existing balances from participant fees and future participant fees to fund this increased staffing cost for the program. As of October 2008, the balance from existing participant fees is approximately $40,000 and projected revenue from participant fees for FY 2009 is expected to be approximately $95,000.

Obstacles:

1. Authority to expand the present 0.50 FTE of the licensing technician to fulltime for the MMP and separate out the remaining 0.50 FTE and hire new staff to cover the existing workload for the state licensing program.
2. Expected growth in the MMP continues to put pressure on QAD to respond to the program administrative demands and correspondence on a normal 8-5 basis, 5 days a week.
3. If the MMP program continues to experience exponential growth (see chart), additional staff may be needed in the 2013 biennium to efficiently administer the program.

Risk:

1. Without the additional 0.50 FTE the Quality Assurance Division would have difficulty being responsive to law enforcement inquires for registrant verification in a timely manner. Alternatively, law enforcement officials may seek and implement a search warrant for a premise because of the inability to verify a registrant or caregiver with the registry.
2. Without the additional 0.50 FTE approved patient applications could be delayed in processing resulting in delays in obtaining MMP registry cards that could have a negative impact in that patients ability to lawfully utilize medical marijuana to address their medical condition. Law enforcement may begin a prosecution of someone in the process but not yet placed on the registry
3. Caregiver designations and changes could be delayed resulting in problems for a patient and may create law enforcement issues regarding the amount of medical marijuana a caregiver can lawfully possess under the statute.
4. A delay in processing a care giver or patient applications could result in legal problems for either the applicant and/or the caregiver.

DP 80009 - Lien and Estate Funding - The 2007 legislature approved $366,160 in one-time-only funding to finalize 76 lien and estate recovery cases that had been outstanding for many years. In FY 2008, the agency closed 53 cases and collected over $616,000. As of October 2008, there are 62 cases outstanding. The executive proposes continuing this program and requests $183,000 in state special revenue and $183,000 federal funds for the biennium.

LFD ISSUE FY 2008 Program Costs and Projected 2011 Biennium Workload do not Appear to Support Requested Funding

In FY 2008, QAD expended 43.7 percent or $79,961 of the $183,080 appropriated for the program. During this same period, QAD closed 53 cases and collected $616,539 in lien and estate recoveries which offset Medicaid costs. In FY 2008 over 80 percent of the program costs were for legal fees. The outstanding number of cases has decreased from 76 in FY 2006 to 62 in FY 2009. The executive is proposing $183,000 each year of the biennium or 56.3 percent more than was used in FY 2008 for fewer cases.

Options: The legislature may wish to consider reducing the appropriations to align it with actual program costs in FY 2008.

DP 80010 - Data Systems Maintenance - The executive proposes $46,800 for the biennium, including $23,400 in general fund and $23,400 in state special funds, to update and maintain various databases and systems utilized by the Third Party Liability (TPL) unit. The TPL unit is responsible for coordinating with other liable third parties to ensure that Medicaid is the payer of last resort. In order to accomplish these duties the TPL unit relies on various databases and systems to identify liable companies.

DP 80011 - CHIMES Enhancements - Medicaid Eligibility Quality Control (MEQC) and PERM are federally mandated Medicaid recipient audits that require extensive analysis, monitoring, tracking, and correspondence. QAD proposes $29,250 general fund and $29,250 federal funds to build a MEQC/PERM module within CHIMES. These funds will be used to automate functions that are currently performed manually and will be used to develop an improved tracking and reporting system to replace "home grown" spreadsheets used to monitor activity. By expending these funds the department will be able to improve efficiencies and replace vulnerable data systems (spreadsheets) with a maintained and supported system.

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	57.10	57.10	57.10	57.10	57.10	57.10	.00	0.00 %
Personal Services	3,655,002	3,788,426	3,909,151	3,923,779	7,443,428	7,832,930	389,502	5.23 %
Operating Expenses	15,692,356	15,357,182	16,463,114	16,424,820	31,049,538	32,887,934	1,838,396	5.92 %
Equipment & Intangible Assets	345,287	0	345,287	345,287	345,287	690,574	345,287	100.00 %
Grants	0	0	750,000	0	0	750,000	750,000	0.00 %
Debt Service	244,617	287,531	244,617	244,617	532,148	489,234	(42,914)	(8.06%)
Total Costs	**19,937,262**	**19,433,139**	**21,712,169**	**20,938,503**	**39,370,401**	**42,650,672**	**3,280,271**	**8.33 %**
General Fund	7,857,242	7,558,505	8,993,241	8,232,885	15,415,747	17,226,126	1,810,379	11.74 %
State Special	1,010,225	739,337	1,105,594	1,104,220	1,749,562	2,209,814	460,252	26.31 %
Federal Special	11,069,795	11,135,297	11,613,334	11,601,398	22,205,092	23,214,732	1,009,640	4.55 %
Total Funds	**19,937,262**	**19,433,139**	**21,712,169**	**20,938,503**	**39,370,401**	**42,650,672**	**3,280,271**	**8.33 %**

Program Description

Mission Statement: The mission of the Technology Services Division (TSD) is to provide state-of-the-art support in operational and technological areas critical to the efficient and effective implementation of department programs.

The Technology Services Division (TSD) is responsible for all agency information technology. TSD has four bureaus:

- The Business Strategies and Operations Bureau provides policy guidance and business oversight including financial management for the division
- The Project Management Bureau is engaged in project management, using outside contractors to develop and manage major data systems including:
    - The System for Enforcement and Recovery of Child Support (SEARCHS) for child support enforcement
    - The Montana Automated Child Welfare Information System MACWIS (formerly CAPS) for children's protective services
    - The Combined Healthcare Information and Montana Eligibility System (CHIMES) for Medicaid, Temporary Assistance for Needy Families (TANF), and the Supplemental Nutrition Assistance Program system (SNAP) that was formerly called the Food Stamp Eligibility system
    - Montana Access for electronic benefits
- The Information Systems Bureau provides database and web server hosting and system development services. It also operates the Technology Services Center, a computer help desk that provides first level support for employees and contractors conducting business for the Department. Systems developed and maintained by ISB programmers include:
    - ISERV, an online system which provides both employee time reporting and employee travel functionality
    - PERQS, a Department purchasing system that supports online order entry, purchase order generation, receiving and payments
    - AWACS, a series of financial and management subsystems including agency contracts, Developmental Disabilities, Disability Determination, Vocational Rehabilitation and Montana Aging Services
    - MICRS, an electronic institutional billing system
- The Network and Communications Bureau provides networking and desktop services to all agency employees

Statutory authority is in Title 17 and Title 40, MCA, and Title IV of the Social Security Act, Section 06, P.L. 96-265.

Program Highlights

Technology Services Division Major Budget Highlights
♦ The $43 million 2011 biennium budget is $3 million greater than the 2009 biennium budget due to $1.7 million in statewide present law adjustments and on-going systems support, nearly $0.8 million to develop a statewide health information technology pilot, and $0.5 million for the Governor's requests for computer equipment, software enhancements, and rent increases ♦ The $43 million biennium budget contains $33 million in operating expenses, of which $30 million is for internet technology services including nearly $17 million for Information Technology (IT) consultants and professional services and over $13 million in services charged by the Department of Administration (DOA) ♦ The division's 2009 biennium goals are on track
Major LFD Issues
♦ The division goals should include measurable objectives ♦ The Governor is requesting $750,000 general fund for a grant to develop a statewide health information technology pilot that is largely undefined

Program Narrative

Goals and Objectives:

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations the Legislative Fiscal Division recommends that the legislature review the following:

Any issues related to goals and objectives raised by LFD staff are located in the program section.

- Goals, objectives and year-to-date outcomes from the 2009 biennium
- Goals and objectives and their correlation to the 2011 biennium budget request

<u>2009 Biennium Major Goals:</u>

The following provides an update to the major goals monitored during the 2009 interim.

Successes:

- The division's goal was to begin replacement of obsolete department data systems and keep all projects in the "green light" status of the State CIO's (the Department of Administration's (DOA) Chief Information Officer) guides. The systems monitored throughout the 2009 interim were:
    - CHIMES - the Combined Healthcare Information and Montana Eligibility System
        - Medicaid component
        - Temporary Assistance for Needy Families (TANF) eligibility system component
        - SNAP - the Supplemental Nutrition Assistance Program component (formerly called the Food Stamp Eligibility System)
    - MACWIS – the statewide Automated Child Welfare Information System (formerly called CAPS)

As of October 2008, all projects received were considered "on track" by the Legislative Finance Committee's workgroup on performance measurement.

2011 Biennium Major Goals

The following is the goal, objective, and measurement for the 2011 biennium as the division provided with its budget.

The LFD recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim. The following goal is suggested.

Goal: Ensure that information technology resources are efficient, responsive, secure, cost-effective and available when needed

Objectives: to continually work to provide state-of-the-art support and service to customers by: knowing what our customers want/need; and deploying best practices and best technology to meet these needs

The measurements are:

- Customer satisfaction surveys conducted quarterly for new system developments and semi-annually for other services will receive rating of "agree" or "strongly agree" 85 percent of the time. Baseline surveys will be conducted in the fall of 2008.
- Keep all development projects at "green light" status with the State CIO's office at least 70 percent of the time

LFD ISSUE

The Goal Does Not Contain Baseline Information

In order to for the legislature to discuss the division's budget in the light of efficient and effective government, goals should have a baseline against which the legislature can measure the division's achievements. This goal does not help the legislature understand TSD management because there are no baseline comparisons.

In its presentation to the 2007 Joint Appropriations Health and Human Services Subcommittee, which was based upon its goals developed in December 2006, the division supplied base line survey results that showed customer satisfaction at 65 percent for enhancement to major systems, 85 percent for the help desk, and 90 percent for network and desktop services. The results of the baseline surveys from 2007 should be included in the measurements.

The second measurement ties to projects that are reviewed by of the state Chief Information Officer (CIO), who presents an update on the major long-range information technology (IT) projects at each meeting of the Legislative Finance Committee. However, as a means for legislators that are deliberating the TSD's budget to fully understand the TSD responsibility for over $200 million in long-range IT projects, a baseline progress statement of the projects at the end of each fiscal year would be helpful. Such a report was presented to the LFC workgroup that oversaw the DPHHS performance measures during the 2009 interim. At the close of the interim, the workgroup considered the division's performance measures to be "on-track". The workgroup suggested that the 2009 session Joint Appropriations Subcommittee for Health and Human Services receive updates on these IT projects as well as reports on increased funding for any projects contained in the long range planning legislation for the 2009 and 2011 biennia. There is further information in the long-range IT project discussion in the program narrative.

In the 2009 session, the division also presented the development of a staff recruitment, retention and training plan as a goal. Such a goal is not included among those submitted with the division budget, but the division does note the recruitment/retention of staff as a concern in its discussion of personal services in the present law section of the program narrative. It also notes that staffing issues could be a potential risk factor to the achievement of division objectives.

LFD ISSUE (CONT.)

The legislature may wish to consider:

- o Directing the division to bring the results of the FY 2007 baseline survey to accompany the discussion of the division's budget
- o Discussion with the division on how its goals and objectives might be improved, and suggesting that TSD consider a goal to complete a staffing plan

There are additional references to goals and measurements in the present law and new proposal sections of the program narrative.

Audits

In February 2008, the federal audit of general controls for Medicaid eligibility determination raised security issues with the adequacy and access to computer facilities used to run Medicaid systems. The division responded with a resolution plan indicating it would review and tighten access to the DPHHS data center. The Medicaid system presently runs in the ITSD data center, which has adequate protections. The legislature may wish to request an update on the federal response to the resolution plan.

Budget Request – A Biennial Comparison

As shown in the program proposed budget, the nearly $43 million 2011 biennium budget presented by the executive increases the 2009 biennium budget by over $3 million. The largest component of the $43 million biennium budget is nearly $33 million in operating expenses, of which nearly $30 million is for information technology (IT) services, including nearly $17 million for IT consultants and professional services and over $13 million in IT services charged by the Department of Administration (DOA), reflective of the fact that TSD either provides technology support or manages contracted services for technology projects that serve the entire agency.

Increases of $3 million in the executive budget from the 2009 biennium to the 2011 biennium are primarily due to:

- o $1.5 million in statewide present law adjustments and increases in operating expenses that are primarily due to Department of Administration (DOA) information technology service charges due to the change DOA made in the method it handles IT service rates in the 2011 biennium. DOA is moving to a full cost maturity model that bases rates on detailed tracking and allocation of expenditures and staff time to each service. This rate of increase is a one-time adjustment to reflect actual increases in usage for this biennium. If service usage remains relatively stable, another major increase is not expected in future biennia. Other drivers to the increase are motor pool charges, postage, and rent of DOA buildings
- o $1.3 million in present law and new requests that are primarily for computer equipment, software enhancements, rent, and nearly $0.8 million to develop a statewide health information technology pilot. There is further discussion in the present law and new proposal section later in this narrative

The budget is slightly reduced as the division reduces debt for leases for 411 desktop computers for Office of Public Assistance, network servers, and electronic benefit transfer servers.

LFD ISSUE

Increases to the Base Made During the 2009 Interim

The division transferred $1.0 million ($480,000 general fund, $310,000 state special revenue, and $210,000 federal revenue) in FY 2008, primarily to support:

- $20,000 general fund and $150,000 other funds for underfunded staff positions (there is further discussion in the vacancy savings discussion in the personal services section)
- $180,000 general fund and $180,000 other funds for unanticipated costs in mainframe utilization increases such as disk storage and computer use time charged by the DOA
- $110,000 general fund and $120,000 state special revenue to replace funding spent due to changes in the federal funding match rate calculations for the TEAMS and SEARCHS IT projects
- $170,000 general fund and $70,000 state special revenue to meet the replacement need of five database and web servers for agency systems at an average cost of $39,000 and about 15 network servers at an average cost of $10,000 each

The funds came through program transfers from other divisions and were available due to lower than anticipated Medicaid benefits costs. At the close of FY 2008 the division had expended its legislative appropriation plus the transfers mentioned above, but did revert $43,000 to the general fund, $24,000 to state special revenue, and $80,000 in federal funds.

Program transfers are legal changes that can be done under the authority of the Governor's Office of Budget and Program Planning, although transfers meeting a statutory threshold must be reviewed by the Legislative Finance Committee before approval. $240,000 of transfers did trigger the threshold and was reported. However, legislative action on this type of transfer must be done through the legislative process, not an interim committee.

TSD transfers are generally the result of the cost allocation method of funding this division. When the budgets are established, an estimate of funding sources is made. As the year progresses, however, the funding sources that can be charged based upon actual work will change. Program transfers are the method used to align funding with actual expenditures.

LFD brings this transfer to legislative attention because it is a substantial amount of funding and expanded the base in this division, without legislative discussion of the programmatic or operational needs supported by the added funds. There is additional agency-wide information in the agency summary section at the beginning of this volume.

The last item of the list, $240,000 transferred for servers, may be of special interest to the legislature. This amount of equipment funding is usually presented in the executive budget for legislative discussion. Equipment requests are often presented with a one-time-only designation because they are not on-going expenses.

If the legislature is concerned about this increase to the general fund, it may wish to consider:

- Reducing the base budget by the $270,000
- Reducing the base budget by the $270,000 and asking the division to bring forth a funding request (along with a projected replacement schedule) for any additional amount needed to address the potential on-going replacement needs for FY 2010 and FY 1011

I-155 - Healthy Montana Kids

The TSD is part of the Governor's request to support the passage of voter Initiative 155 - Healthy Montana Kids. As discussed in the agency overview, the request for $36 million in state special revenue (SSR) funds and $72.6 million in federal funds is actually in the executive's budget for the Health Resources Division. The funds would cover new enrollment in the programs, since November 4, 2008. This request is contingent upon federal approval of a state plan amendment and the receipt of matching federal funds.

LFD COMMENT

This initiative is discussed in greater detail in the agency overview. The initiative includes funding for three divisions within DPHHS:

- Health Resources Division-6.00 FTE and $32.7 million Montana healthy kids state special revenue funds and federal matching funds
- Human and Community Services Division-54.00 FTE and $3.0 million from the Montana healthy kids state special revenue account and $3.0 million in federal Medicaid matching funds
- Technology Services Division-$0.2 million Montana healthy kids state special revenue funds and $0.3 federal funds

LFD ISSUE

Structuring Appropriation to Allow Accurate Budget Comparisons

The legislature may wish to allocate funds and FTE to the appropriate division if it approves funding for the proposal. Allocating funds among divisions would facilitate more accurate comparisons of appropriations and expenditures.

The Functions of the Technology Services Division

The executive budget continues the 2007 Legislature's discussion of computer system management and/or maintenance and client support as well as the related goals and performance measures. However, it is important to note that TSD has two budget responsibilities: its HB 2 budget of $43 million and the long-range IT project budget of over $200 million. Figure 31 is based upon the Governor's budget request and shows how the division divides and funds its workload and provides services. After Figure 31, there is a discussion of the long-range IT projects.

Functions of TSD

Nearly 43 percent of the division's expenditures are projected to support contracted computer development and maintenance. These systems provide a wide variety of services related to program eligibility determination, claims processing, data collection, case management support, and payment processing. Figure 31 illustrates the functions of the division and the major contracted computer systems.

The large increase in the Project Management Bureau is due to the Governor's request for nearly $8 million to develop a statewide health information technology pilot. There is further discussion in the new proposal section of the program narrative.

Figure 31
Technology Services Division
Summary of Funding by Function

Function	Fiscal 2008 Actual General Fund	Fiscal 2008 Actual Total Funds	Fiscal 2010 Requested General Fund	Fiscal 2010 Requested Total Funds	Fiscal 2011 Requested General Fund	Fiscal 2011 Requested Total Funds	2011 Biennium General Fund	2011 Biennium Total Funds	Change to Base*	Percent of Division
Centralized Services										
Division Administration	$226,246	$429,767	$199,202	$369,404	$200,336	$371,754	$399,538	$741,158	-13.8%	1.7%
Project Management Bureau	64,425	200,160	965,579	1,419,326	216,399	671,408	1,181,978	2,090,734	422.3%	4.9%
Network & Communications Services	1,983,504	4,590,852	2,261,428	5,229,323	2,247,073	5,195,500	4,508,501	10,424,823	13.5%	24.4%
Information Systems Bureau	788,239	2,074,922	926,720	2,423,183	928,765	2,428,908	1,855,485	4,852,091	16.9%	11.4%
Total Centralized Services	$ 3,062,414	$ 7,295,701	$ 4,352,929	$ 9,441,236	$ 3,592,573	$ 8,667,570	$ 7,945,502	$ 18,108,806	24.1%	42.5%
Contracted Computer Systems										
TEAMS	2,221,901	5,147,507	2,191,274	5,076,534	2,191,274	5,076,534	4,382,548	10,153,068	-1.4%	23.8%
SEARCHS	676,111	3,020,532	665,346	2,972,440	665,346	2,972,440	1,330,692	5,944,880	-1.6%	13.9%
CAPS	1,261,510	1,944,078	1,202,427	1,853,027	1,202,427	1,853,027	2,404,854	3,706,054	-4.7%	8.7%
Electronic Benefit Transfer (EBT)	547,060	1,532,989	542,527	1,520,286	542,527	1,520,286	1,085,054	3,040,572	-0.8%	7.1%
CHIMES System	617	510,181	3,074	490,866	3,074	490,866	6,148	981,732	-3.8%	2.3%
Other systems and Small Adjustments	87,629	486,274	35,664	357,780	35,664	357,780	71,328	715,560	-26.4%	1.7%
Total Contracted Computer Systems	$ 4,794,828	$ 12,641,561	$ 4,640,312	$ 12,270,933	$ 4,640,312	$ 12,270,933	$ 9,280,624	$ 24,541,866	-2.9%	57.5%
Total Operations & Technology Div.	$7,857,242	$19,937,262	$8,993,241	$21,712,169	$8,232,885	$20,938,503	$17,226,126	$42,650,672	7.0%	100.0%

*Percent of increase or decrease from the base year times 2.

Over $200 million in Long-Term IT Projects managed by TSD

In addition to the HB 2 budget, TSD presently manages nearly $60 million of IT projects for DPHHS that are funded through long-range planning legislation to accommodate funding and projects that could extend beyond a single biennium. Additionally, the Governor proposes nearly $70 million for long-range IT projects in HB 10 for the 2009 session. The executive request includes a $1.5 million planning phase for the $90 million for the Child Support Enforcement Division's SEARCHES system and $65.5 million for the Medicaid Management Information System (MMIS) replacement.

Not all of the funding would be spent in the 2011 biennium. The budget timeline is projected to last through 2015 because the division opts to focus on early, in-depth planning using DPHHS staff prior to entering the "request for proposal" phases. Funding would remain in the long-range IT budget administered by DOA until the completion of the project, which includes the warranty period.

The projects attached to the executive request for $170 million are listed above. Those attached to the present long-range appropriation of nearly $60 million are:

- $31 million - CHIMES - the Combined Healthcare Information and Montana Eligibility System upgrade and replacement comprised of:
  - $2 million - Medicaid eligibility component completion project scheduled to "go live" in July 2009
  - $16 million - Temporary Assistance for Needy Families (TANF) system for eligibility determination, benefit distribution and program administration presently in the planning phase and scheduled for implementation August 2011
  - $13 million - SNAP - the Supplemental Nutrition Assistance Program component (formerly called the Food Stamp Eligibility System) for eligibility determination, benefit distribution, and program administration presently in the planning phase and scheduled for implementation August 2011
- $27 million - MACWIS – the Montana Automated Child Welfare System designed to replace the Child and Adult Protective Services system (CAPS)
- $2 million for the Adoption and Foster Care Analysis and Reporting System (AFCARS) component of the Montanan Automated Child Welfare Information System

The following figure illustrates the distribution of the 2007 and 2009 long-range IT project funding categories.

Figure 32

Summary of System Funding in Proposed Legislation

System Design	Total 2009 Biennium Estimated	FY 2010 Estimated	FY 2011 Estimated	Total 2011 Biennium Estimated	Total 2013 Biennium Estimated	Total 2015 Biennium Estimated	Total Project Request
TEAMS System - TANF							
TANF Block Grant	$460,461	$3,471,500	$3,471,500	$6,943,000	$1,196,539	$0	$8,600,000
General Fund	392,786	3,078,500	3,078,500	6,157,000	1,075,214	0	7,625,000
Subtotal	$853,247	$6,550,000	$6,550,000	$13,100,000	$2,271,753	$0	$16,225,000
SNAP (Formerly Food Stamps)							
USDA Food & Nutrition	$455,461	$2,430,000	$2,430,000	$4,860,000	$1,219,539	$0	$6,535,000
General Fund	435,792	$2,430,000	$2,430,000	4,860,000	1,239,208	0	6,535,000
Subtotal	$891,253	$4,860,000	$4,860,000	$9,720,000	$2,458,747	$0	$13,070,000
CHIMES							
Medicaid	$1,747,714	$0	$0	$0	$0	$0	$1,747,714
General Fund	202,450	0	0	0	0	0	202,450
Subtotal	$1,950,164	$0	$0	$0	$0	$0	$1,950,164
MACWIS-Child & Adult Protection							
Title IV-E Revenue	$417,006	$3,169,500	$4,169,500	$7,339,000	$5,808,137	$0	$13,564,143
General Fund	438,719	3,169,500	4,169,500	7,339,000	5,808,137	0	13,585,856
Subtotal	$855,725	$6,339,000	$8,339,000	$14,678,000	$11,616,274	$0	$27,149,999
SEARCHS Replacement-Child Support*							
Federal Title IV-D 66% Match	$0	$0	$0	$1,000,000	$0	$0	$59,400,000
General Fund	0	0	0	500,000	0	0	30,600,000
Subtotal	$0	$0	$0	$1,500,000	$0	$0	$90,000,000
AFCARS - Adoption and Foster Care							
Federal IV-E Funds	$0	$849,045	$0	$849,045	$0	$0	$849,045
General Fund	0	996,705	0	996,705	0	0	996,705
Subtotal	$0	$1,845,750	$0	$1,845,750	$0	$0	$1,845,750
MMIS Replacement*							
Medicaid Match Available	$0	$0	$0	$0	$0	$0	$62,000,000
General Fund	0	0	0	0	0	0	3,500,000
	$0	$0	$0	$0	$0	$0	$65,500,000
Total Systems							
Total Federal Funds	$3,080,642	$0	$0	$0	$0	$0	$152,695,902
Total General Fund	1,469,747	0	0	0	0	0	63,045,011
Total	$4,550,389	$0	$0	$0	$0	$0	$215,740,913

* 2011 biennium long-range IT request in HB 10: The $1.5 million planning phase for SEARCHS and the MMIS Replacement at $69 million. At the time of this writing, the allocation of spending among years for the MMIS and SEARCHS replacements were not available. Therefore, the total expenditures for the 2011 and 2013 biennia are not shown.

Source: Division spreadsheet October 2008 adjusted in December to meet the totals submitted by the Governor to HB 10.

Legislative Monitoring of Long-Range IT Projects

In accordance with Montana Code (2-17-523, MCA), TSD publishes an IT plan covering immediate to long term needsfor DPHHS. The updated 2008 plan is goal and objective based tying staffing, maintenance, and development of IT projects to agency and division mission and goals, and identifying the top priority system upgrades.

The CHIMES and MACWIS systems were included in the Legislative Finance Committee's (LFC) list of performance measures to be monitored by the LFC workgroup that oversaw the DPHHS performance measures during the 2009 interim. At the close of the interim, the workgroup considered the division's performance measures to be "on-track". The workgroup suggested that the 2009 session Joint Appropriations Subcommittee for Health and Human Services receive updates on these IT projects as well as reports on increased funding for projects contained in the long range planning legislation for the 2009 and 2011 biennia. The request was made because even though the DOA's ITSD chief information officer monitors the benchmarks for each project and with approval of the budget director, distributes the funding, the ultimate management of the DPHHS projects falls with TSD.

The 2011 Legislature may wish to request updates on the 2009 goals and recommend systems it would like to have tracked through the 2011 interim.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Governor. The division is funded with general fund, state special revenue, and federal funds based upon a complex federally approved cost allocation plan, often referred to as indirect activity. Federal funds account for 55.4 percent of the total biennium budget, general fund 39.3 percent, and state special revenue 5.3 percent.

Program Funding Table
Technology Services Division

Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	$ 7,857,242	39.4%	$ 8,993,241	41.4%	$ 8,232,885	39.3%
01100 General Fund	7,857,242	39.4%	8,993,241	41.4%	8,232,885	39.3%
02000 Total State Special Funds	1,010,225	5.1%	1,105,594	5.1%	1,104,220	5.3%
02381 02 Indirect Activity Prog 09	1,010,225	5.1%	1,105,594	5.1%	1,104,220	5.3%
03000 Total Federal Special Funds	11,069,795	55.5%	11,613,334	53.5%	11,601,398	55.4%
03598 03 Indirect Activity Prog 09	11,069,795	55.5%	11,613,334	53.5%	11,601,398	55.4%
Grand Total	$ 19,937,262	100.0%	$ 21,712,169	100.0%	$ 20,938,503	100.0%

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	7,857,242	7,857,242	15,714,484	91.22 %	19,937,262	19,937,262	39,874,524	93.49 %
Statewide PL Adjustments	271,958	278,938	550,896	3.20 %	748,564	765,162	1,513,726	3.55 %
Other PL Adjustments	76,287	60,037	136,324	0.79 %	189,413	151,649	341,062	0.80 %
New Proposals	787,754	36,668	824,422	4.79 %	836,930	84,430	921,360	2.16 %
Total Budget	**8,993,241**	**8,232,885**	**17,226,126**		**21,712,169**	**20,938,503**	**42,650,672**	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010 FTE	General Fund	State Special	Federal Special	Total Funds	Fiscal 2011 FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					392,045					407,284
Vacancy Savings					(161,879)					(162,490)
Inflation/Deflation					8,624					8,940
Fixed Costs					509,774					511,428
Total Statewide Present Law Adjustments					**$748,564**					**$765,162**
DP 90102 - TSD Office Rent COL Increases	0.00	52,603	9,987	68,674	131,264	0.00	50,911	9,753	67,002	127,666
DP 90104 - USB Device Encryption	0.00	14,558	2,354	17,254	34,166	0.00	0	0	0	0
DP 90528 - Restore overtime/hol worked	0.00	9,126	1,943	12,914	23,983	0.00	9,126	1,943	12,914	23,983
Total Other Present Law Adjustments	**0.00**	**$76,287**	**$14,284**	**$98,842**	**$189,413**	**0.00**	**$60,037**	**$11,696**	**$79,916**	**$151,649**
Grand Total All Present Law Adjustments					**$937,977**					**$916,811**

Program Personal Services Narrative

Adjustments in the statewide present law category for personal services are about $0.5 million including $0.8 million in statutory pay increases, the pay plan adopted by the legislature, aligning FTE positions to market, benefits, and longevity for existing staff that are offset by $0.3 million in vacancy savings.

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- **Market Rate** - The TSD market rate as of October 2008 after implementing the legislative approved pay raises was at 92 percent, the same as the DPHHS agency market rate. This is primarily because TSD maintains pay adjustments for IT staff in order to attract or retain qualified employees.
- **Vacancy** - The division struggles to recruit and maintain qualified staff, but once an employee is recruited, TSD does not have a high turnover rate because of the pay adjustments. However, when a vacancy occurs, it typically stays open for a long time. When a position is vacant, overtime and workload for other staff are increased. There may also be a delay in the completion of tasks, which could compromise customer service.
- **Legislatively applied vacancy savings** - TSD achieves the 4 percent vacancy savings with open positions, but not in absence of active recruitment. In the event there are additional vacancy savings above the 4 percent applied by the legislature, the savings are applied to positions that were budgeted at entry level salary because they were empty at snap shot but later filled with employees hired at pay higher than entry level.
- **Pay Changes** - The division is in the process of developing a staffing plan to address issues around workforce development. The plan includes a reduction of contracted services, moving some tasks in house, and increasing contractor efficiency. This resulted in a decrease in contract budget that was transferred to personal services.
- **Retirements** - TSD will have 43 employees (64 percent of the total program workforce) eligible for full retirement in the 2011 biennium. It estimates that three employees will retire with an anticipated compensated absence liability of $24,444. The division anticipates one employee will retire in the 2009 biennium. The division is taking steps for knowledge sharing and cross training to address retirements.

LFD ISSUE

TSD indicates that a staffing plan is under development

In its goals submitted to the 2007 Legislature, it also noted that a plan for recruiting, training, and retention of staff was in development. As of October 2008, TSD continues to work on the staffing plan. When it is complete, TSD intends to put it into a document to present to the appropriate employee union for their needed approval.

The division also has an information technology plan developed for the state CIO that guides the long-range projects. In this plan, successful implementation of the plan is tied to the recruitment, hiring, training, and retention of quality staff. Staffing is noted as a risk factor for the possible inability to complete a project or fulfill its goal.

As noted earlier, the legislature should have the division add the completion of the staffing plan to its goals.

Fixed Costs

As mentioned in the biennial budget comparison discussion, fixed costs are primarily due to DOA charges.

DP 90102 - TSD Office Rent Increases - The executive requests $258,930 over the biennium for costs associated with the increased rent within the Technology Services Division. The TSD has moved several offices to co-locate certain functions, to move out of locations that have become unfeasible to maintain, and to take advantage of better rental pricing. There are four rental occurrences: 1) moving Network and Communication Bureau staff and training room to a new building proposed at South Pointe where the rate will be $23.13 per square foot in FY 2010 with a 1 percent increase in the second year; 2) cost of living increase for rented space for the Project Management Bureau (PMB); 3) co-locating the Information Systems Bureau programming unit with the PMB; and 4) co-locating the Business Strategies and Operations Bureau.

LFD ISSUE

Rent Costs

The main driver for the increase in rent is $112,000 over the biennium assigned to the Network and Communications Bureau, which presently has staff located in Helena's Northgate Village that will ultimately have to move. This amount is essentially a place holder at this time because the staff is scheduled to relocate to a new building that is not yet built. The increase is based on a July 2009 move, but the actual date is uncertain. The executive request also includes $9,300 for telephone jacks and wiring associated with the move into the new building. Issues pertinent to legislative discussion of this proposal are:

- About $112,000 of the budget is based on a move July 2009, which may not occur at that time and the total amount may not be needed
- The budget contains $9,300 for communication equipment/support that should only be needed one time, or possibly not at all

Options the legislature may wish to consider:

- Restricting the $112,000 of the request to be expended only on payment of rent for the Network and Communications Bureau to ensure the funds are not spent on other items if they are unused
- Designating the $9,300 request for communications as one-time-only so that amount does not go into the base and restricting the amount to ensure the funds are not spent on other items if they are unused

DP 90104 - USB Device Encryption - The Governor requests $34,166 over the biennium to install encryption software on agency computers in accordance with state and federal requirements to secure information and data accessed and stored by computer. Funding for the biennium would include $14,558 general fund, $2,354 state special revenue, and $17,254 federal funds.

The TSD is currently responsible for 3,106 computers within the agency. It is estimated that it will cost $34,166 or $11.00 per computer to install encryption software to limit access by Universal Serial Bus (USB) devices.

LFD COMMENT

The request is for minor software that should only have to be purchased for the 3,106 computers one time. There is $65,291 in the FY 2008 base for minor software. While there could be new computers needing the device or software upgrades in future biennia, another $34,000 may not be needed.

Options
The legislature may want to consider:

- Designating the request as a one-time-only (OTO) appropriation to remove the funds from the FY 2010 base
- Designating the request as restricted to ensure that any unused amount is spent on encryption software or upgrades.
- Designating the request as both restricted and OTO

DP 90528 - Restore Overtime/Holidays worked - The executive requests $47,966 over the biennium to restore costs for overtime and holiday hours worked for the Information Systems Bureau. Overtime is subject to zero-based budgeting and eliminated from base year funding.

New Proposals

New Proposals										
	Fiscal 2010					Fiscal 2011				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 90227 - NEDSS Base System (NBS)										
09	0.00	37,754	3,773	45,403	86,930	0.00	36,668	3,664	44,098	84,430
DP 90600 - Health Information Technology - OTO Biennial										
09	0.00	750,000	0	0	750,000	0.00	0	0	0	0
Total	0.00	$787,754	$3,773	$45,403	$836,930	0.00	$36,668	$3,664	$44,098	$84,430

DP 90227 - NEDSS Base System (NBS) - The executive requests $171,360 over the biennium for the National Electronic Disease Surveillance System (NEDSS) support and hosting. The NEDSS supports routine surveillance activities associated with the rapid reporting of disease trends to control outbreaks. The NEDSS platform allows states to enter, update, and electronically transmit demographic and notifiable disease data to the Centers for Disease Control and Prevention (CDC).

The agency's Public Health and Safety Division (PHSD) is using a commercial ASP to host the NEDSS system. This ASP has to date been free of charge to use. However, since the trial period is completed, states who utilize the commercial ASP will be charged at a cost of $280,000 per year for its use. That adjustment is to move to a state-hosted platform that is estimated to save $388,640 over the biennium over the current ASP cost.

DP 90600 - Health Information Technology - OTO Biennial - The Governor requests $750,000 general fund as a one-time only, biennial appropriation for a grant to support the development of a statewide health information technology pilot project. This grant may be used to purchase hardware, software, programming costs, and participating site-related costs. It is anticipated that this project will utilize the "continuity of care record" as a basis for the exchange of healthcare information among healthcare facilities and providers. This project is expected to provide vital clinical information at the point of care and aggregated data for disease management capability. A goal is to provide better quality healthcare in the form of reduced medical errors, reduced medical costs (e.g., redundancy of tests, duplication of therapies, drug interactions, etc), and improved transparency.

LFD ISSUE

The legislature has already taken action on this proposal

There is already a bill draft to fund a like project as well as a joint resolution draft in support of the project should it make the Governor's budget. The bill draft is requested from the Children, Families, Health, and Human Services Interim Committee that defines the project and provides reporting requirements (LC 339).

However, the request for $750,000 as presented here is without a time line or proof that the project can be achieved for $750,000. While the OTO designation informs the legislature that $750,000 must be spent in the 2011 biennium or be removed from the base, it is not possible for the legislature to determine: 1) when the project would start or its anticipated time frame; 2) if or when progress toward anticipated or expected items might be studied, implemented or achieved, or how the project would be monitored; and 3) how the stages of the project would be measured in terms of expenditures or implementation successes.

The bill draft mentioned earlier actually requests $1.5 million and acknowledges action at the federal level in which Senator Jon Tester has an earmark for funds for this project in Montana. The bill draft states that "if the nonprofit entity obtains federal funds to support the electronic health care information exchange pilot project, the amount of the state appropriation must be reduced by the amount of the federal funds."

LFD ISSUE (CONT.)

The bill also states that the department shall seek a nonprofit entity that has developed a mission statement and articles of incorporation that are specifically focused on the exchange of health care information, has obtained contributions from private companies as part of its plan for developing a Montana heath care information exchange pilot project, developed a plan for long-term sustainability using private funds, and is prepared to quickly implement a health care information exchange pilot project.

The bill draft requires the nonprofit entity to report to the Children, Families, Health, and Human Services Interim Committee during the 2009-10 interim on how the funds were used, including but not limited to the number of participants in the pilot project and how the participants used the health care information exchange system to improve patient care.

Should the legislature wish to take action on this proposal, it may wish to discuss with the division the development of goals and objectives for the framework of the project that maintain the legislative intent reflected in LC 339.

Should the legislature wish to address the use of the general fund, it may wish to:

- Designate the appropriation as restricted to ensure that unused funds can not be expended on other items
- Consider approving the appropriation contingent upon receipt federal funds sufficient to undertake the project, which, if the $1.5 million noted in the bill draft is used, would be at least $750,000
- Attach language to the appropriation that honors the interim committee's reporting requirements and the use of federal funds first by directing the division to:
    - Include in the grant award contract that the "grant recipient" must provide financial and narrative progress reports to the Children, Families, Health, and Human Services Interim Committee on how the funds were used, including but not limited to the number of participants in the pilot project and how the participants used the health care information exchange system to improve patient care

If the legislature opts not to make the appropriation contingent on the receipt of federal funds, it may wish to consider adding language to the appropriation directing the division to:

- Include in the grant award contract that the "grant recipient" may only use a small, start-up portion of the general fund appropriation before federal funds are secured, or may not expend any general fund until federal funds are receive

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	493.92	493.92	497.92	497.92	493.92	497.92	4.00	0.81%
Personal Services	23,981,359	25,383,197	26,361,511	26,471,018	49,364,556	52,832,529	3,467,973	7.03%
Operating Expenses	8,602,388	9,891,903	9,947,964	10,094,708	18,494,291	20,042,672	1,548,381	8.37%
Equipment & Intangible Assets	57,356	15,000	57,356	57,356	72,356	114,712	42,356	58.54%
Benefits & Claims	114,752,238	114,979,411	122,214,655	124,946,769	229,731,649	247,161,424	17,429,775	7.59%
Total Costs	**$147,393,341**	**$150,269,511**	**$158,581,486**	**$161,569,851**	**$297,662,852**	**$320,151,337**	**$22,488,485**	**7.56%**
General Fund	52,551,559	54,188,192	58,798,428	60,379,473	106,739,751	119,177,901	12,438,150	11.65%
State Special	3,685,456	5,251,431	5,042,212	5,044,588	8,936,887	10,086,800	1,149,913	12.87%
Federal Special	91,156,326	90,829,888	94,740,846	96,145,790	181,986,214	190,886,636	8,900,422	4.89%
Total Funds	**$147,393,341**	**$150,269,511**	**$158,581,486**	**$161,569,851**	**$297,662,852**	**$320,151,337**	**$22,488,485**	**7.56%**

Program Description

Disability Services Division (DSD) assists Montanans with disabilities in living, working, and participating in their communities. The division provides or contracts for institutional care, residential services, home-based services to families, case management, and a variety of employment outcome-related services. These services include counseling and guidance, career training, transportation, adaptive equipment, orientation and mobility services to the blind, vocational rehabilitation training, independent living services, medical services, job placement, and supported employment. DSD is responsible for medical adjudication of all claims for Social Security Disability and Supplemental Security Income. The division is responsible for the state behavioral treatment facility at the Montana Developmental Center (MDC) in Boulder.

Vocational Rehabilitation (VR) serves individuals with orthopedic, mental, visual, hearing, brain injury, and other disabilities. Developmentally disabled includes individuals with mental retardation, epilepsy, autism, or other neurological conditions that require treatment similar to those required by someone with mental retardation. The developmental disability must have originated before age 18 and have resulted in a substantial handicap for indefinite duration.

Disability Services Division (DSD) serves the telecommunications needs of Montanans who are deaf, hard of hearing, speech disabled, or mobility disabled through the Montana Telecommunication Access Program (MTAP).

Statutory Title 53, MCA, 29 U.S.C. 721 et. seq., 29 U.S.C. 796, et. seq., 29 U.S.C. 774, 29 U.S.C. 777b, 29 U.S.C. 2201 et. seq., 42 U.S.C. 75, 6602, 72 U.S.C. 1300, 42 CFR 441.302(b), 42 CFR 441.302(g), 45 CFR 74.62, and 34 CRF Part 303

Program Highlights

Disability Services Division
Major Budget Highlights

- The 2011 biennium budget is $22 million greater than the 2009 biennium budget primarily due to a $17 million increase in benefits and claims budget comprising:
  - $6 million to address increased caseloads for disability and early intervention services
  - $8 million to annualize cost plans for individuals moving into the communities and provider rate increases approved by the 2007 Legislature
  - $3 million to address the autism waiver, and secure additional federal funding for disability services and the Montana Developmental Center
- Increases of over $13 million in general fund corresponds to the Governor's request to increase benefits and include statewide and other present law adjustments
- The $3 million increase in state special revenue is due to:
  - Nearly $2 million for a contingency request in the event that the federal government mandates that states pay for new technologies in the telecommunication programs
  - Over $1 million of I-149 funds in support of provider rate increases
- The division successfully met its goals for the 2009 biennium

LFD Major Issues

- The division increased the base funding of the Montana Developmental Center Medicaid by nearly $0.7 million and the developmental disabilities program by nearly $3 million during the interim without legislative discussion

Program Narrative

Goals and Objectives

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriation deliberations the Legislative Fiscal Division (LFD) recommends the legislature review the following:

- Goals, objectives, and year-to-date outcomes from the 2009 biennium
- Goals and objectives and their correlation to the 2011 biennium budget request

2009 Biennium Major Goals:

The following provides an update to the major goals monitored during the 2009-10 interim.
Successes:
DSD met its goals to:

- Move at least 11 individuals into community services from the waiting list
  - 21 individuals were moved into community services
- Hire a vocational rehabilitation (VR) counselor to improve outcomes for young adults with disabilities, emphasizing the transition from high school to adult life
  - A teacher was hired who helped 78 students-in-transition (from the goal of 70) receive VR services, 42 students (from a goal of 40) wrote individual plans for employment and 15 (from the goal of 18) were employed by September 2008
- Implement a provider rate rebasing structure

  - By July 2007 a provider contract requirement for a minimum wage of $8.35 per hour for all direct care staff was established
- Establish a provider contract requirement to have providers assist direct care employees obtain career advancement
  - By October 2007 provider contracts contained provisions to make the College of Direct Supports training available to workers
- By July 2008 the division had implemented its goal to have all five regions on the standardized rate system for reimbursement of DDP providers

2011 Biennium Major Goals

The following is the goal, objective, and measurement for the 2011 biennium as the division provided with its budget.

The LFD recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim. The following goal is suggested.

Goal: To continuously improve services that help Montanans with disabilities, including transitioning students to live, work, and fully participate in their communities

Objectives and Measurements:

- Assist Montanans with disabilities, including transitioning students into gainful employment
  - Successfully meet federal (VR) standards and indicators
- Continually work to maintain an effective system of community based services for persons with developmental disabilities while emphasizing informed consumer choice
  - Develop a Medicaid Waiver to more effectively serve individuals with autism
  - Continually work to improve the infrastructure of the division's community based providers
  - Continue to provide services to new individuals on the developmental disabilities waiting list, including those who are transitioning from school to adult life

LFD ISSUE

The Goal Does Not Contain Baseline Information

In order to for the legislature to discuss the division's budget in the light of efficient and effective government and formulate an appropriations policy for the division, goals should have a baseline against which the legislature can measure the division's achievements. This goal does not help the legislature understand the need for, or impact of the resources DSD has requested because there are no baseline comparisons, no time frames, and no outcomes or milestones to indicate when work would begin, progress reports would be provided, or the intended outcomes achieved.

Baseline data is available. There are federal standards and indicators that are attached to most of the division's funding. The division's past year achievements could also serve as baseline comparisons for it 2011 biennium goals. In addition to the fiscal and program staff, DPHHS and its divisions maintain staff that provides quality assurance of both customer satisfaction and the division's achievement of federal standards and its state plans. This is done on many levels including satisfaction surveys and interviews at the consumer level and quality reviews of provider entities on the fiscal and administrative level.

Goals Should Address Quality and Quantity of Services

The goals, objectives and measurements should also provide the legislature an understanding of the policy behind the basics of the numbers served and at what costs. The legislature should be able to understand the quality of services provided by the division and its contracted providers that were funded by past legislative appropriations and could be funded by the 2011 biennium requests.

LFD ISSUE (CONT.)

For example: There are two themes that are woven through the executive's 2009 biennium requests that still permeate the executive's requests in this budget. They are: 1) the recruitment, development, and retention of direct care worker staff; and 2) the reference to addressing system capacity or infrastructure. Both of these themes relate to the provision of services. The $250 million in benefits and claims is largely expended through the contracted provider system.

In addition to reflecting the use of state resources on the number of people served, goals could be used to help the legislature understand:

- The division's accountability to the state for the quality of care and services provided to the DSD clients regardless of whether it is the state program paying its staff or the contracted provider serving a client
- The contracted provider's accountability to the state for the quality of care and services provided to the DSD clients regardless of whether it is a reimbursable service or the humanity of the relationships of the provider to its staff and in turn, its staff to the clients

Options

- The legislature may wish to discuss with the division how its goals and objectives might be improved to measure both quality and quantity of services
- There are additional references to goals and measurements in the present law and new proposal sections of the program narrative

Provision of Services

The division provides services through four areas: 1) vocational rehabilitation; 2) institutional services for individuals with developmental disabilities; 3) community services for individuals with developmental disabilities; and 4) disability determination.

The following tables illustrate how the division receives its total funding and how the programs and services are delivered. The tables, in order of appearance, are: 1) a summary of the base expenditures by function for FY 2008 and requested amounts for the 2011 biennium; and 2) a summary of the benefits provided for FY 2008 and requested amounts for the 2011 biennium.

<u>A Summary of the Expenditures by Function</u>

The Disability Services Division may be summarized into four major functions, as illustrated in Figure 33 Vocational rehabilitation services expend 13.6 percent of the total biennium budget, while institutional developmental disability services expend 6.5 percent, community developmental disability services 71.7 percent, and disability determination services 3.6 percent.

Figure 33
Disability Services Division
Summary of Major Program Functions with Funding

Function	Fiscal 2008 Base Budget General Fund	Fiscal 2008 Base Budget State Special	Fiscal 2008 Base Budget Federal	Fiscal 2008 Base Budget Total Funds	Fiscal 2010 Request General Fund	Fiscal 2010 Request State Special	Fiscal 2010 Request Federal	Fiscal 2010 Request Total Funds	Fiscal 2011 Request General Fund	Fiscal 2011 Request State Special	Fiscal 2011 Request Federal	Fiscal 2011 Request Total Funds	Percent of Division Biennium Total
Vocational Rehabilitation													
Voc. Rehab. Administration	$917,802	$0	$3,166,032	$4,083,834	$1,568,764	$0	$3,165,029	$4,733,793	$1,600,070	$0	$3,164,929	$4,764,999	3.2%
Voc. Rehab. Benefits	1,753,463	0	6,478,475	8,231,938	1,973,524	0	6,478,475	8,451,999	2,063,970	0	6,478,475	8,542,445	5.7%
Visual Services Medical Benefits	122,297	0	0	122,297	123,135	0	0	123,135	124,272	0	0	124,272	0.1%
Independent Living - Admin.	21,233	0	191,066	212,299	24,584	0	193,843	218,427	23,345	0	194,296	217,641	0.1%
Independent Living - Benefits	8,723	0	36,902	45,625	9,065	0	36,902	45,967	9,530	0	36,902	46,432	0.0%
Sec. 110 Blind Low Vision Administration	218,615	0	623,900	842,515	320,282	0	623,644	943,926	324,810	0	623,618	948,428	0.6%
Sec. 110 Blind Low Vision Benefits	245,234	0	765,578	1,010,812	252,810	0	765,578	1,018,388	263,102	0	765,578	1,028,680	0.7%
In Service Training - Administration	20,773	0	58,225	78,998	20,748	0	58,568	79,316	20,746	0	58,671	79,417	0.1%
Supported Employment	0	0	307,364	307,364	0	0	307,364	307,364	0	0	307,364	307,364	0.2%
Independent Living Part B Benefits	361,431	0	191,734	553,165	465,580	0	191,734	657,314	413,164	0	191,734	604,898	0.4%
Independent Living Part B Administration	6,947	0	62,529	69,476	8,060	0	72,551	80,611	8,063	0	72,575	80,638	0.1%
MONTECH Grants	0	0	370,072	370,072	0	0	370,072	370,072	0	0	370,072	370,072	0.2%
Extended Employment Benefits	1,058,322	0	0	1,058,322	1,166,420	0	0	1,166,420	1,289,088	0	0	1,289,088	0.8%
Montana Telecommunications Access Prog.	0	963,811	0	963,811	0	1,852,906	0	1,852,906	0	1,855,278	0	1,855,278	1.2%
Montana Youth Leadership Forum	50,000	0	0	50,000	100,004	0	0	100,004	100,019	0	0	100,019	0.1%
Social Security Administration and Benefits	399,990	0	183,150	583,140	0	0	183,150	183,150	0	0	183,150	183,150	0.1%
Subtotal Vocational Rehabilitation	$5,184,830	$963,811	$12,435,027	$18,583,668	$6,032,976	$1,852,906	$12,446,910	$20,332,792	$6,240,179	$1,855,278	$12,447,364	$20,542,821	13.6%
Percent of Total Funds	27.9%	5.2%	66.9%	100.0%	29.7%	9.1%	61.2%	100.0%	30.4%	9.0%	60.6%	100.0%	
Institutions													
Montana Development Center	$13,404,988	$53,819	$0	$13,458,807	$14,845,066	$53,719	$0	$14,898,785	$14,914,212	$53,723	$0	$14,967,935	9.9%
MDC Alternative Safety Unit	1,784,819	0	0	1,784,819	1,700,486	0	0	1,700,486	1,707,511	0	0	1,707,511	1.1%
Subtotal Institutions	$15,189,807	$53,819	$0	$15,243,626	$16,545,552	$53,719	$0	$16,599,271	$16,621,723	$53,723	$0	$16,675,446	11.1%
Percent of Total	99.6%	0.4%	0.0%	100.0%	99.7%	0.3%	0.0%	100.0%	99.7%	0.3%	0.0%	100.0%	
Institutional Medicaid Reimbursements	$0	$0	$8,952,602	$8,952,602	$0	$0	$9,553,223	$9,553,223	$0	$0	$9,868,479	$9,868,479	6.5%
Developmental Disabilities - Community													
Administration	$1,734,380	$0	$1,736,774	$3,471,154	$1,916,905	$0	$3,088,800	$5,005,705	$1,925,627	$0	$3,098,343	$5,023,970	3.3%
Targeted Case Management Administration	692,028	0	996,039	1,688,067	758,871	0	1,091,634	1,850,505	761,961	0	1,095,924	1,857,885	1.2%
Targeted Case Management - Adults	1,023,292	0	2,228,351	3,251,643	1,092,442	0	2,216,738	3,309,180	1,140,518	0	2,240,338	3,380,856	2.2%
DD Medicaid Benefits	21,274,118	2,667,826	52,365,610	76,307,554	22,966,737	3,135,587	54,076,574	80,178,898	24,008,032	3,135,587	55,000,341	82,143,960	54.0%
TCM 50/50, PASAAR 2; Rate Project	208,524	0	467,741	676,265	220,071	0	491,376	711,447	220,544	0	492,503	713,047	0.5%
DD General Fund, Title XX	4,241,762	0	4,715,845	8,957,607	4,624,879	0	4,368,512	8,993,391	4,716,564	0	4,368,512	9,085,076	6.0%
DD Part C and General Fund Moe	$3,402,808	$0	$2,012,550	$5,415,358	$4,639,995	$0	$2,012,550	$6,652,545	$4,744,325	$0	$2,012,550	$6,756,875	4.5%
Subtotal Developmental Disabilities-Comm.	$32,576,912	$2,667,826	$64,522,910	$99,767,648	$36,219,900	$3,135,587	$67,346,184	$106,701,671	$37,517,571	$3,135,587	$68,308,511	$108,961,669	71.7%
Percent of Total	32.7%	2.7%	64.7%	100.0%	33.9%	2.9%	63.1%	100.0%	34.4%	2.9%	62.7%	100.0%	
Disability Determination Services	$0	$0	$4,845,979	$4,845,979	$0	$0	$5,394,529	$5,394,529	$0	$0	$5,521,436	$5,521,436	3.6%
Subtotal Disability Determination Services	$0	$0	$4,845,979	$4,845,979	$0	$0	$5,394,529	$5,394,529	$0	$0	$5,521,436	$5,521,436	3.6%
Percent of Total	0.0%	0.0%	100.0%	100.0%	0.0%	0.0%	100.0%	100.0%	0.0%	0.0%	100.0%	100.0%	
Total Disability Services Division	$52,951,549	$3,685,456	$81,803,916	$138,440,921	$58,798,428	$5,042,212	$85,187,623	$149,028,263	$60,379,473	$5,044,588	$86,277,311	$151,701,372	100.0%
Percent of Total	38.2%	2.7%	59.1%	100.0%	39.5%	3.4%	57.2%	100.0%	39.8%	3.3%	56.9%	100.0%	

The increases in the budget from the base to each year of the biennium are primarily due to the Governor's statewide and present law requests for personal services, rent increases, and the annualization of client cost plans and provider rates as well as requests for caseload increases.

The 2011 biennium budget requests $107 million in FY 2010 and $109 million in FY 2011 to support community services for developmentally disabled individuals, an increase of about $7 and $9 million over the $100 million appropriated last biennium for community services. The budget for vocational rehabilitation increases about $1 million a year, while the Montana Developmental Center budget and the disability determination services budget increase by over $0.5 million each year.

The most common developmental disabilities exhibited by individuals receiving state funded services include mental retardation, autism, cerebral palsy, and other types of brain or neurological damage. More than 70 percent of these individuals have a secondary diagnosis such as epilepsy, cerebral palsy, deafness, blindness, mental illness, chemical dependency, and other physical difficulties.

A Summary of the Benefits

Figure 34 summarizeS the benefits provided in the FY 2008 base year and anticipated increases for the 2011 biennium.

Figure 34
Disability Services Division
Summary of Benefits Costs with Funding

Description	Fiscal 2008 - Base Budget General Fund	Fiscal 2008 - Base Budget State Spec. Rev	Fiscal 2008 - Base Budget Federal Funds	Fiscal 2008 - Base Budget Total Funds	Fiscal 2010 Request General Fund	Fiscal 2010 Request State Spec. Rev	Fiscal 2010 Request Federal Funds	Fiscal 2010 Request Total Funds	Fiscal 2011 Request General Fund	Fiscal 2011 Request State Spec. Rev	Fiscal 2011 Request Federal Funds	Fiscal 2011 Request Total Funds	Biennium Percent Total
Benefits and Claims													
Voc. Rehab. Benefits	$1,754,062	$0	$6,480,686	$8,234,748	$1,974,180	$0	$6,480,629	$8,454,809	$2,064,649	$0	$6,480,606	$8,545,255	6.8%
Visual Services Medical Benefits	111,676	0	0	111,676	112,514	0	0	112,514	113,651	0	0	113,651	0.1%
Independent Living - Benefits	8,723	0	36,902	45,625	9,065	0	36,902	45,967	9,530	0	36,902	46,432	0.0%
Sec. 110 Blind Low Vision Benefits	243,939	0	765,578	1,009,517	251,515	0	765,578	1,017,093	261,807	0	765,578	1,027,385	0.8%
Supported Employment	0	0	307,364	307,364	0	0	307,364	307,364	0	0	307,364	307,364	0.2%
Independent Living Part B Benefits	361,431	0	191,734	553,165	465,580	0	191,734	657,314	413,164	0	191,734	604,898	0.5%
MONTECH Grants	0	0	370,072	370,072	0	0	370,072	370,072	0	0	370,072	370,072	0.3%
Extended Employment Benefits	1,058,322	0	0	1,058,322	1,166,420	0	0	1,166,420	1,289,088	0	0	1,289,088	1.0%
Social Security Benefits	0	0	183,150	183,150	0	0	183,150	183,150	0	0	183,150	183,150	0.1%
MDC Medicaid	0	0	8,952,602	8,952,602	0	0	9,553,223	9,553,223	0	0	9,868,479	9,868,479	7.9%
Medicaid Benefits	21,274,118	2,667,826	52,365,610	76,307,554	22,966,737	3,135,587	54,076,574	80,178,898	24,008,032	3,135,587	55,000,341	82,143,960	65.7%
Developmental Disability	192,067	0	192,333	384,400	471,266	0	759,374	1,230,640	471,689	0	758,951	1,230,640	1.0%
Part C and General Fund Benefits	3,354,826	0	1,984,172	5,338,998	4,587,073	0	1,989,595	6,576,668	4,690,941	0	1,989,904	6,680,845	5.3%
General Fund, Title XX, Other Benefits	4,003,032	0	4,450,434	8,453,466	4,544,240	0	4,292,343	8,836,583	4,635,156	0	4,293,112	8,928,268	7.1%
DD Targeted Case Management Adult	1,023,292	0	2,228,351	3,251,643	1,092,442	0	2,216,738	3,309,180	1,140,518	0	2,240,338	3,380,856	2.7%
PASAAR Benefits	0	0	138,504	138,504	0	0	143,472	143,472	0	0	144,923	144,923	0.1%
Disability Determination Services	0	0	51,432	51,432	0	0	71,288	71,288	0	0	81,494	81,494	0.1%
Total Benefits and Grants	$ 33,385,489	$2,667,826	$78,698,923	$114,752,238	$37,641,032	$3,135,587	$81,438,036	$122,214,655	$39,098,225	$3,135,587	$82,712,948	$124,946,769	100.0%

Medicaid benefits provided to developmentally disabled individuals living in the community comprise 65.7 percent of the benefits provided by the division and the largest share of the Governor's proposals – about $8.7 million in total funds over the biennium. The increases in Medicaid benefits are primarily driven by the Governor's request of $6 million to address the DSD caseload growth for disabled individuals waiting to receive community services and those desiring to live and work in the community, and to address provider rates.

The Part C and General Fund Benefits line reflects the $2.3 million requested to address growth in the Part C Early Intervention Program.

The General Fund / Title XX line is nearly 7 percent of the benefits and claims total, representing various non-Medicaid benefits. The increase is related to the FMAP change, provider rates, and annualization of client cost plans.

Medicaid reimbursement for services provided to developmentally disabled individuals residing at MDC comprise 7.9 percent of the benefits provided by the division, but are not predicted to increase because clients are moving from MDC into the community.

Budget Request – A Biennial Comparison
The increase in the 2011 biennium over the 2009 biennium is about $22 million. The largest increase is in benefits – a growth of $17 million. Other increases include:

- $3 million for statewide present law and other personal services adjustments
- $2 million for increased operating expenses

LFD ISSUE

Additions to the Base Budget during the Interim

The division received nearly $4 million in FY 2008 through six program transfers, of which $1.3 million in general fund and $2.5 million in federal funds increased the base of the division.

Program transfers are legal changes that can be done under the authority of the Governor's Office of Budget and Program Planning, although transfers meeting a statutory threshold must be reviewed by the Legislative Finance Committee before approval. The threshold was not met with these transfers. The funding was available for transfer due to lower than anticipated Medicaid and other federal benefit costs. There is additional agency-wide information in the agency summary section at the beginning of this volume. The division received:

- General fund of:
  - $850,000, $680,000 to address specialized children's autism services and $170,000 for MDC to address underfunded staff positions, overtime costs. and operating expenses
  - $390,000 for MDC to support increased direct care staffing beyond the 2007 legislative appropriation due to increasingly complex needs of its clients
  - $100,000 for expenditures at MDC

Federal funds of:

- $780,000 for medically and behaviorally intensive clients
- $970,000 for Medicaid reimbursement at the MDC ($150,000) and for the expansion of the DD program for both behaviorally challenging youth aging out of the Children's Mental Health program and medically intensive DD waiver nursing services ($820,000)
- $765,000 for federal authority to allow programs to spend available cash: $40,000 to VR, $250,000 to Part C, $5,000 DDS, and $470,000 to MDC

LFD ISSUE (CONT.)

LFD brings these transfers to legislative attention because the general fund in the legislatively approved 2007 biennium base budget was increased by over $1 million during the interim without legislative discussion of the programmatic or operational needs supported by the added funds. The primary increase in the use of the general fund was for:

- $660,000 for MDC comprising $540,000 in personal services and $120,000 in operations
- $340,000 to start a new developmental disabilities program to address specialized children's autism services

Montana Developmental Center

The increase of $660,000 general fund to the MDC base budget was primarily to address staffing issues related to MDC's difficult and complex client population, the location of MDC in Boulder, and the fact that MDC is a 24 hours a day / 7 day a week facility. There is detailed information about MDC in the Institutional Services for Developmental Disabilities subprogram. Additional information, discussion, and legislative options are included there.

Specialized Children's Autism Services

The transfer of $340,000 general fund was used to start a new program to address specialized children's autism services without legislative discussion of the programmatic or operational needs. Over the 2007 session and following interim, the division and the legislature acknowledged the nation-wide need to seek new methods to serve individuals with autism. The division identified a source of funding authority in a surplus in Medicaid caseload funding and moved toward delivery of services because it believed the need for services for individuals with autism and relief for their families was apparent. The department received authority from the Governor's office. Its intention was also included in the DPHHS update to the Children, Family, Health, and Human Services interim committee. This was not an action item, and the committee did not address the update.

An additional $340,000 of the transfer was used to launch a project to identify the number of Montana children under five who have autism in July 2008.

There is further discussion of the autism project in the Developmental Disability Communities subprogram.

Because both of these issues are discussed at their respective subprogram levels, the legislative options are included there.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the executive.

Program Funding Table
Disability Services Division

Program Funding		Base FY 2008	% of Base FY 2008		Budget FY 2010	% of Budget FY 2010		Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	$	52,551,559	35.7%	$	58,798,428	37.1%	$	60,379,473	37.4%
01100 General Fund		52,551,559	35.7%		58,798,428	37.1%		60,379,473	37.4%
02000 Total State Special Funds		3,685,456	2.5%		5,042,212	3.2%		5,044,588	3.1%
02035 Mdc Vocational		53,819	0.0%		53,719	0.0%		53,723	0.0%
02159 Handicapped Telecommunications		963,811	0.7%		1,852,906	1.2%		1,855,278	1.1%
02475 Ddp Training Fund		-	-		-	-		-	-
02761 Medicaid Pilot Program Dd		-	-		-	-		-	-
02772 Tobacco Hlth & Medicd Initiative		2,667,826	1.8%		3,135,587	2.0%		3,135,587	1.9%
03000 Total Federal Special Funds		91,156,326	61.8%		94,740,846	59.7%		96,145,790	59.5%
03024 Soc Sec - Trust Funds		583,140	0.4%		183,150	0.1%		183,150	0.1%
03063 Idea General Supv Enhancement		-	-		-	-		-	-
03554 84.169 - Independent Living 90		254,367	0.2%		264,389	0.2%		264,413	0.2%
03555 84.177 - Indep Living Old Blin		227,394	0.2%		230,171	0.1%		230,624	0.1%
03556 84.181 - Part H - Early Interv		1,829,505	1.2%		1,829,505	1.2%		1,829,505	1.1%
03557 84.187 - Vic Sup Employment		307,807	0.2%		307,807	0.2%		307,807	0.2%
03558 84.224 - Mon Tech 100%		370,072	0.3%		370,072	0.2%		370,072	0.2%
03559 84.265 - In Service Training 9		58,225	0.0%		58,568	0.0%		58,671	0.0%
03579 93.667 - Ssbg - Benefits		4,898,890	3.3%		4,551,557	2.9%		4,551,557	2.8%
03580 6901-93.778 - Med Adm 50%		467,689	0.3%		491,376	0.3%		492,503	0.3%
03583 93.778 - Med Ben Fmap		63,546,563	43.1%		66,846,535	42.2%		68,109,158	42.2%
03588 93.802 - Disabil Deter Adm 100		4,845,797	3.3%		5,394,529	3.4%		5,521,436	3.4%
03599 03 Indirect Activity Prog 10		2,732,865	1.9%		3,180,434	2.0%		3,194,267	2.0%
03604 84.126 - Rehab-Sec110 A 78.7%		11,034,012	7.5%		11,032,753	7.0%		11,032,627	6.8%
03702 6901-Rural Transportatn Access		-	-		-	-		-	-
Grand Total	$	147,393,341	100.0%	$	158,581,486	100.0%	$	161,569,851	100.0%

The costs of this division are driven by the provision of benefits and the staff and contracted providers that deliver them throughout the state. The majority of funding for DSD, 59.5 percent, comes from federal sources and is used for the direct provision of benefits and client services. General fund provides 37.4 percent of the division's funding. General fund is primarily used to support the Montana Developmental Center and as match to draw down other federal matching programs. The matching ratio for federal programs administered by the division varies. However, the most common ratios are the following:

- o Medicaid services are funded at the federal medical assistance participation rate (FMAP), which is generally about 33 percent state funds and 67 percent federal funds (for more information see the Agency Overview section of this narrative)
- o Medicaid administrative costs are funded on a 50/50 ratio of state and federal funds
- o Vocational Rehabilitation services are funded on a 21/79 ratio of state and federal funds
- o Disability determination services are funded entirely with federal funds
- o The Montana Developmental Center (MDC) is funded entirely with general fund. Medicaid reimbursements for services provided at MDC are first used to repay bond debt and the remaining balance is deposited in the general fund

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	52,551,559	52,551,559	105,103,118	88.19%	147,393,341	147,393,341	294,786,682	92.08%
Statewide PL Adjustments	1,100,980	1,202,541	2,303,521	1.93%	898,178	1,016,176	1,914,354	0.60%
Other PL Adjustments	3,022,596	3,452,693	6,475,289	5.43%	5,228,374	5,692,074	10,920,448	3.41%
New Proposals	2,123,293	3,172,680	5,295,973	4.44%	5,061,593	7,468,260	12,529,853	3.91%
Total Budget	**$58,798,428**	**$60,379,473**	**$119,177,901**		**$158,581,486**	**$161,569,851**	**$320,151,337**	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010 FTE	Fiscal 2010 General Fund	Fiscal 2010 State Special	Fiscal 2010 Federal Special	Fiscal 2010 Total Funds	Fiscal 2011 FTE	Fiscal 2011 General Fund	Fiscal 2011 State Special	Fiscal 2011 Federal Special	Fiscal 2011 Total Funds
Personal Services					1,906,620					2,017,616
Vacancy Savings					(1,035,525)					(1,039,953)
Inflation/Deflation					55,927					64,827
Fixed Costs					(28,844)					(26,314)
Total Statewide Present Law Adjustments					**$898,178**					**$1,016,176**
DP 10001 - FMAP Adjustment	0.00	875,591	0	(875,591)	0	0.00	1,241,563	0	(1,241,563)	0
DP 10002 - Annualization of Community Service Cost Plans	0.00	260,534	0	541,602	802,136	0.00	264,224	0	537,912	802,136
DP 10003 - Annualize DSD Provider Rate Increases	0.00	462,710	467,761	897,744	1,828,215	0.00	501,937	467,761	858,517	1,828,215
DP 10004 - Restore Zero-Based Personal Services at MDC	0.00	1,181,084	0	0	1,181,084	0.00	1,181,084	0	0	1,181,084
DP 10005 - Rent For Non-State Facilities	0.00	141,884	73,866	67,586	283,336	0.00	163,092	75,580	72,970	311,642
DP 10006 - Disability Determination Services Base Adjustments	0.00	0	0	152,984	152,984	0.00	0	0	270,198	270,198
DP 10007 - FTE for Disability Determination	3.00	0	0	183,702	183,702	3.00	0	0	183,762	183,762
DP 10018 - MDC Utilization Fee, Medicaid Reimbursement Adjust	0.00	100,793	0	600,621	701,414	0.00	100,793	0	915,877	1,016,670
DP 10019 - Restore Zero-Based Personal Services at DDS	0.00	0	0	95,503	95,503	0.00	0	0	98,367	98,367
Total Other Present Law Adjustments	**3.00**	**$3,022,596**	**$541,627**	**$1,664,151**	**$5,228,374**	**3.00**	**$3,452,693**	**$543,341**	**$1,696,040**	**$5,692,074**
Grand Total All Present Law Adjustments					**$6,126,552**					**$6,708,250**

The table reflects the Governor's request for the entire division. The statewide present law adjustments and rent for non-state facilities will be discussed at the program level. The remaining requests will be addressed in the respective subprogram narratives.

Program Personal Services Narrative

Adjustments in the statewide present law category for personal services are about $2 million, including $4 million in statutory pay increases, the pay plan adopted by the legislature, aligning FTE positions to market, benefits, and longevity for existing staff that are offset by $2 million in vacancy savings.

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

The division notes that funding is its biggest issue when addressing personal services.

- **Market Rate** – The division expects to be at 92 percent of the 2008 market ratio as of October 2008 after implementing the HB 13 pay adjustments. This is in line with the agency-wide expectation of 92 percent. The DSD does not make any exception from agency policy on entry to or progression to market.
- **Vacancy** - The division experiences high turnover, vacancies, and difficulties in recruitment and retention in direct care staff and licensed practical nurses at MDC. This is primarily due to market competition for nurses, the overall work environment, and the location of MDC in Boulder for direct care workers. As mentioned earlier in the program transfer discussion, the difficulty of keeping staff has led to increased overtime at the MDC in

order to keep the facility in operation and in compliance with national standards. As a means to attract and retain workers, the division is in the early stages of looking at additional benefits such as a transportation stipend for MDC direct care staff members that live far from the work site. It is also difficult to recruit rehabilitation teachers and orientation and mobility specialists for the blind because Montana has no training programs and the division must compete with recruitment and higher wages in other states.

- o **Legislatively applied vacancy savings** – The division holds almost all positions open for 30 days time, and sometimes more, to cover vacancy savings and payouts. DSD did not generate additional savings.
- o **Pay Changes** - DSD transitioned all positions to Pay Plan (PP) 20 with a union-negotiated percentage of market per position based on years of service, which allowed it to increase pay to at least entry and at most market. DSD also has a competency-based pay model for VR counselors. In order to fund the increases, DSD held almost all vacancies open for 30 days, and sometimes more, before advertising. Some operations and benefits funding was moved to personal services to fund the transition to PP 20. No services to clients were reduced because of the transition to PP 20.
- o **Retirements** – The division projects that 306 employees (61 percent of total program workforce) would be eligible for retirement in the 2011 biennium. Based on current trends and projections it estimates that 48 employees would retire with an anticipated compensated absence liability of $391,104. DSD estimated that 46 employees could retire in the 2009 biennium. The division is concerned about the planned and potential retirements of several staff members and is taking steps for knowledge sharing and cross training.

LFD ISSUE

Recruitment and Retention is a Reoccurring Theme for the Division

Staff recruitment and retention is a reoccurring theme from biennium to biennium for the division. The legislature may wish to consider discussing with the division the development of a goal with measurable objectives and an interim reporting timeframe that would address the development of a staffing plan for MDC and any other programs where staff recruitment and retention is an issue.

There is additional information in the MDC discussion in the institutional services for individuals with developmental disabilities

Inflation / Deflation and Fixed Costs

The $121,000 budgeted request for inflation/deflation in the statewide present law adjustments is primarily due to anticipated increases in utilities, travel, and consultants and professional services. The inflation attached to consultants and professional services is attached to rates used by the Montana Telecommunications Access Program (MTAP) for contracted services that provide internet or voice relay of specialized communication systems for those that are blind or hard of hearing.

The fixed cost budget is reduced slightly as the division reduces the bond payments for MDC.

Present Law Adjustments

DP 10005 - Rent For Non-State Facilities - The Governor requests $232,366 general fund, $158,040 state special revenue, and $148,681 federal funds over the biennium for rent increases for offices in non-Department of Administration buildings for the Developmental Disabilities and Vocational Rehabilitation programs.

This includes rent at the new South Pointe building at a rate of $23.13 per square foot in FY 2010, with an increase of 1 percent in FY 2011. Costs related to South Pointe total $466,503, comprising $202,385 in general funds, $145,396 in state funds and $118,722 in federal funds for the biennium. Offices that would be moving are the MTAP, which is currently located in downtown Helena, and the vocational rehabilitation and developmentally disabled program regional offices that are located in Helena's Northgate building on Montana Avenue.

Other amounts are based on 2-3 percent increases for current sites and new leases for two locations.

LFD COMMENT The main driver for the increase in rent is $0.4 million over the biennium for staff located throughout Helena that will ultimately have to move. This amount is essentially a place holder at this time because the staff is scheduled to relocate to a new building that is not yet built. The increase is based on a July 2009 move, but the actual date is uncertain.

The legislature may wish to consider restricting the $0.4 of the request to be expended only on payment of rent for the VR and DD regional offices to ensure the funds are not spent on other items if they are unused

New Proposals

The following table reflects the Governor's request for the entire division.

New Proposals										
	Fiscal 2010					Fiscal 2011				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 10008 - DSD Caseload Adjustments										
10	0.00	499,999	0	623,311	1,123,310	0.00	960,012	0	1,430,820	2,390,832
DP 10009 - Provider Rate Increase - DSD										
10	0.00	393,001	0	411,048	804,049	0.00	933,246	0	962,969	1,896,215
DP 10011 - Autism Waiver										
10	0.00	50,000	0	103,941	153,941	0.00	50,000	0	101,791	151,791
DP 10012 - Transitions Coordinator										
10	1.00	50,004	0	0	50,004	1.00	50,019	0	0	50,019
DP 10015 - MTAP New Technologies (Bien)										
10	0.00	0	800,000	0	800,000	0.00	0	800,000	0	800,000
DP 10016 - Developmental Disabilities Program - Fed. Funding										
10	0.00	0	0	1,000,000	1,000,000	0.00	0	0	1,000,000	1,000,000
DP 10020 - Early Intervention Caseload Growth										
10	0.00	1,130,289	0	0	1,130,289	0.00	1,179,403	0	0	1,179,403
Total	**1.00**	**$2,123,293**	**$800,000**	**$2,138,300**	**$5,061,593**	**1.00**	**$3,172,680**	**$800,000**	**$3,495,580**	**$7,468,260**

The Governor's request for caseload adjustments (DP 10008) and a 1 percent provider rate increase (DP 10009) are discussed at the program level. The remaining requests will be addressed in the respective subprogram narratives.

DP 10008 - DSD Caseload Adjustments -

The Governor requests over $3 million for the biennium to support caseload growth in the Disability Services Division in the 2011 biennium. There are three parts to this request: 1) $3 million to assist individuals waiting to receive developmentally disabled (DD) community services and those in need of case management services; 2) $0.3 million to provide services for people with severe disabilities who wish to work but need training and other supports in order to do so; and 3) $0.1 million to provide independent living assistance to Montanans with disabilities. Figure 35 shows the funds for each component of the request.

Figure 35
Components of
DP 10008 - Caseload Adjustments

Components	FY 2010	FY2011
Reducing the Wait-List		
General Fund	$289,072	$680,256
Medicaid	600,928	1,384,881
	$890,000	$2,065,137
Case Management or Crisis		
General Fund	$10,767	$25,760
Medicaid	22,383	45,939
	$33,150	$71,699
Extended Employment		
General Fund	$100,160	$212,047
Independent Living		
General Fund	$100,000	$41,949
Total General Fund	$499,999	$960,012
Total Medicaid	623,311	1,430,820
Total Request	$1,123,310	$2,390,832

LFD COMMENT There appears to be an error in the FY 2011 request for general fund for the independent living program. As shown in Figure 35 there is a reduction to $41,949. Based upon the division's goal to serve 24 individuals in FY 2010 at $100,000, the amount for 50 individuals at about $4,200 each should be around $210,000.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification:
Developmental Disability Program
As of November 2008, there are approximately 497 individuals on the waiting list for DD community services that are currently receiving no services.

Goal: To provide high quality services to over 4,000 individuals currently in DDP community services, and expand services by removing individuals off of the DDP wait list and into community services as funding allows.

Performance Criteria and Milestones: Individuals already in DDP community services will continue to receive appropriate care as authorized by the program's rules. Staff will monitor program budgets monthly to insure that the program is operating within funding levels as appropriated.

Obstacles and Risks:
- There is a shortage of providers who are willing and able to provide these services
- DDP community services are not entitled services and if community services aren't provided by the state for those in need, there is a risk of having individuals being committed to MDC, often at a greater cost than funding for community services

LFD ISSUE The Waiting list has been a Concern of the Past two Legislatures.

The 2005 Legislature provided over $2 million over the biennium as a restricted appropriation to move 15 individuals off the developmental disabilities waiting list. The 2007 Legislature provided $3.2 million to reduce the waiting list for individuals requesting services in their communities by 21 individuals.

Reduction of the waiting list is on-going and complicated. It is driven by a growing population whose cost plans can vary from a few thousand a year to as high as $300,000 per year to adequately support their needs. It is also driven by availability of services in the communities. When the 2005 Legislature began addressing the waiting list, there were about 500 individuals throughout the state not receiving services, and about 800 individuals receiving some services. Over the past two biennia the division has removed about 60 individuals from the waiting list, and as reported with this request there are still about 500 individuals on the waiting list who are not receiving services. So, while legislative appropriations have helped address the waiting list, there has not been a large reduction to the list.

The goal for this request does not tell the legislature how many individuals might be served with a $3 million investment. The performance criteria and milestones do not help the legislature understand the need for or impact of the resources DSD has requested because there are no time frames, outcome indicators, or milestones to indicate when work would begin, progress reports would be provided, or the intended outcomes achieved. The monthly monitoring of the budget is the job of DSD staff. It is not an outcome or a milestone.

Options
The legislature may wish to discuss the addition of a time frame, outcome indicator, or milestone to the goal for this request and have the division report to the legislature over the interim.

Extended Employment:

The extended employment program provides the supports necessary for people with the most severe disabilities, who cannot be readily placed in the competitive market, to work in either sheltered or supported community employment settings. Federal regulations require VR to close or cease federally funded services when an individual with severe disabilities is stabilized on the job. The increased general fund would serve additional individuals with severe disabilities whose federal support has ended. It supports things like ongoing services beyond initial job placement, training and/or stabilization such as a job coach for a person with brain injury to develop and maintain their job skills and develop accommodations around a changing work environment. When services for long-term support are not available, individuals who have expressed a desire to go to work are placed on a waiting list for extended employment services.

Independent Living:

The Independent Living (IL) Program provides individuals with services including referrals to appropriate agencies for assistance, resource development, basic skills training, employment and benefits planning, education assistance and planning, assistance with accessibility issues, and personal care assistance. State general funds for IL are used to provide independent living assistance to 406 Montanans with disabilities, including included 167 new independent living clients. These individuals entered services at different times throughout FY 2008

Goal: To move towards equalization of the base funding for each of the four regional centers for independent living and to increase the number of Montanans with disabilities served by the centers by 24 in FY 2010 and 50 in FY 2011.

Performance Criteria: Individuals already in independent living services will continue to receive appropriate services as authorized by the program's rules and an additional 25 new individuals with disabilities will be served by the end of the 2011 biennium..

Obstacles and risks: There is a shortage of staff willing and able to provide these services. Without an increase in funding, access to independent living services would possibly be decreased. Montanans with severe disabilities would be less likely to function independently in their community and be at risk for institutionalization or other restricted living circumstances.

DP 10009 - Provider Rate Increase - DSD - The executives requests over $2 million total funds for the biennium for provider rate increases of 1 percent beginning in October of each year (annualized at 0.75 percent). Of that amount, the Vocational Rehabilitation Program would receive about $0.3 million general fund and the Developmentally Disabled Program would receive just over $1 million in both general fund and federal Medicaid funds over the biennium. There is further discussion in the agency overview.

Sub-Program Details

VOCATIONAL REHABILITATION 01

Sub-Program Proposed Budget

The following table summarizes the proposed executive budget by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011	Total Exec. Budget Fiscal 10-11
FTE	99.23	0.00	1.00	100.23	0.00	1.00	100.23	100.23
Personal Services	5,017,409	285,025	48,768	5,351,202	302,393	48,783	5,368,585	10,719,787
Operating Expenses	1,692,620	173,031	801,236	2,666,887	193,085	801,236	2,686,941	5,353,828
Benefits & Claims	11,873,639	153,475	287,589	12,314,703	153,475	460,181	12,487,295	24,801,998
Total Costs	**$18,583,668**	**$611,531**	**$1,137,593**	**$20,332,792**	**$648,953**	**$1,310,200**	**$20,542,821**	**$40,875,613**
General Fund	4,784,840	910,543	337,593	6,032,976	945,139	510,200	6,240,179	12,273,155
State/Other Special	963,811	89,095	800,000	1,852,906	91,467	800,000	1,855,278	3,708,184
Federal Special	12,835,017	(388,107)	0	12,446,910	(387,653)	0	12,447,364	24,894,274
Total Funds	**$18,583,668**	**$611,531**	**$1,137,593**	**$20,332,792**	**$648,953**	**$1,310,200**	**$20,542,821**	**$40,875,613**

Sub-Program Description

Vocational Rehabilitation (VR) promotes work and independence for Montanans with disabilities and offers three programs to assist eligible individuals with disabilities: vocational rehabilitation, blind and low vision services, and independent living.

Vocational rehabilitation services provide a broad range of services to assist, find or maintain employment for eligible individuals with disabilities. Blind and low vision services provide a broad range of services to assist eligible individuals with visual disabilities in finding or maintaining employment and increasing independence. Independent living services helps individuals with disabilities realize independence, inclusion and integration through living and participating in their chosen community.

The nearly $25 million in benefits and claims shown in the proposed budget is basically supported with federal funds. The state special revenue is for the Montana Telecommunications Access Program funds. The general fund is either required state match or legislative initiatives.

Increases to the general fund are primarily:

- $1.8 million in statewide and present law adjustments
- $0.5 million for caseload adjustments
- $0.3 million for provider rate increases
- $0.1 million for a new transitions coordinator

Budget Summary By Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	4,784,840	4,784,840	9,569,680	77.97%	18,583,668	18,583,668	37,167,336	90.93%
Statewide PL Adjustments	665,487	682,882	1,348,369	10.99%	292,609	311,116	603,725	1.48%
Other PL Adjustments	245,056	262,257	507,313	4.13%	318,922	337,837	656,759	1.61%
New Proposals	337,593	510,200	847,793	6.91%	1,137,593	1,310,200	2,447,793	5.99%
Total Budget	**$6,032,976**	**$6,240,179**	**$12,273,155**		**$20,332,792**	**$20,542,821**	**$40,875,613**	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010 FTE	Fiscal 2010 General Fund	Fiscal 2010 State Special	Fiscal 2010 Federal Special	Fiscal 2010 Total Funds	Fiscal 2011 FTE	Fiscal 2011 General Fund	Fiscal 2011 State Special	Fiscal 2011 Federal Special	Fiscal 2011 Total Funds
Personal Services					505,958					524,048
Vacancy Savings					(220,933)					(221,655)
Inflation/Deflation					5,968					6,591
Fixed Costs					1,616					2,132
Total Statewide Present Law Adjustments					**$292,609**					**$311,116**
DP 10003 - Annualize DSD Provider Rate Increases	0.00	153,475	0	0	153,475	0.00	153,475	0	0	153,475
DP 10005 - Rent For Non-State Facilities	0.00	91,581	73,866	0	165,447	0.00	108,782	75,580	0	184,362
Total Other Present Law Adjustments	**0.00**	**$245,056**	**$73,866**	**$0**	**$318,922**	**0.00**	**$262,257**	**$75,580**	**$0**	**$337,837**
Grand Total All Present Law Adjustments					**$611,531**					**$648,953**

DP 10003 - Annualize DSD Provider Rate Increases - The executive requests $3.6 million total funds over the biennium to annualize the rate increases authorized by the 2007 Legislature, which was to be phased in over the 2009 biennium. Funding includes just over $0.9 million general fund and $0.9 million state special revenue tobacco tax funding.

The 2007 Legislature appropriated the DDP two provider rate increases: 1) an agency-wide provider rate increases, and 2) an increase that was included in the rate rebasing request. The appropriation included increases from FY 2008 to FY 2009. This decision package allows the division to continue provider rates into the 2011 biennium at the same level approved for FY 2009.

DP 10005 was discussed at the program level.

New Proposals

New Proposals	Sub Program	Fiscal 2010 FTE	Fiscal 2010 General Fund	Fiscal 2010 State Special	Fiscal 2010 Federal Special	Fiscal 2010 Total Funds	Fiscal 2011 FTE	Fiscal 2011 General Fund	Fiscal 2011 State Special	Fiscal 2011 Federal Special	Fiscal 2011 Total Funds
DP 10008 - DSD Caseload Adjustments	01	0.00	200,160	0	0	200,160	0.00	253,996	0	0	253,996
DP 10009 - Provider Rate Increase - DSD	01	0.00	87,429	0	0	87,429	0.00	206,185	0	0	206,185
DP 10012 - Transitions Coordinator	01	1.00	50,004	0	0	50,004	1.00	50,019	0	0	50,019
DP 10015 - MTAP New Technologies (Bien)	01	0.00	0	800,000	0	800,000	0.00	0	800,000	0	800,000
	Total	**1.00**	**$337,593**	**$800,000**	**$0**	**$1,137,593**	**1.00**	**$510,200**	**$800,000**	**$0**	**$1,310,200**

The Governor's request for caseload adjustments (DP 10008) and a 1 percent provider rate increase (DP 10009) are discussed at the program level. The remaining requests will be addressed in the respective subprogram narratives.

DP 10008 and DP 10009 were discussed in the program new proposal section.

DP 10012 - Transitions Coordinator - The Governor requests $50,000 general fund each year of the biennium to support a disabilities transition coordinator (1.00 FTE) to facilitate cooperation and coordination among all levels of government, as well as between the private and public sectors.

LFD COMMENT This is a new program. The legislature may wish to consider having the division develop goals and measureable objectives for the new position, and report progress to the Legislative Finance Committee during the interim.

DP 10015 - MTAP New Technologies (Bien) - The executive requests a biennial appropriation of $1.6 million state special revenue authority for the Montana Telecommunications Access Program (MTAP) in the event that the federal government mandates states to pay for new technologies. DSD predicts that the federal mandate will come with an advance notice of at least 18 months.

At this time, the known new technologies are Video Relay Service (VRS) and Internet Protocol Relay (IP Relay). VRS facilitates phone calls between an individual who uses sign language and a hearing individual. Using the Internet, video of the sign language user is transmitted to a sign interpreter, who then voices the call aloud for the hearing party. Internet Protocol Relay (IP Relay) also uses the Internet. Individuals who are deaf use a computer connected to the Internet to send text to an operator who will then speak that message aloud for the hearing party to the call.

This appropriation is requested as a contingency, accessed only if the FCC ruled that the states would now be required to pay for VRS and IP Relay. The projected fund balance of the Montana Telecommunications Access Fund at the end of SFY 2011 without this mandate is about $2.1 million. The requested amount for this appropriation, if accessed, would leave a projected fund balance at the end of SFY 2011 of $0.2 million.

Sub-Program Details

INSTITUTIONAL DEVELOPMENTAL DISABILITIES 02

Sub-Program Proposed Budget

The following table summarizes the proposed executive budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011	Total Exec. Budget Fiscal 10-11
FTE	268.08	0.00	0.00	268.08	0.00	0.00	268.08	268.08
Personal Services	12,329,954	1,243,082	0	13,573,036	1,310,179	0	13,640,133	27,213,169
Operating Expenses	2,886,280	112,563	0	2,998,843	121,641	0	3,007,921	6,006,764
Equipment & Intangible Assets	27,392	0	0	27,392	0	0	27,392	54,784
Total Costs	**$15,243,626**	**$1,355,645**	**$0**	**$16,599,271**	**$1,431,820**	**$0**	**$16,675,446**	**$33,274,717**
General Fund	15,189,807	1,355,745	0	16,545,552	1,431,916	0	16,621,723	33,167,275
State/Other Special	53,819	(100)	0	53,719	(96)	0	53,723	107,442
Total Funds	**$15,243,626**	**$1,355,645**	**$0**	**$16,599,271**	**$1,431,820**	**$0**	**$16,675,446**	**$33,274,717**

Sub-Program Description

As shown in the MDC proposed budget, $27 million of the $33 million dollar budget for MDC is for staff to provide services for the 24-hour day, 7-days-a-week operations of MDC. All increases to the base are general fund and amount to less that $3 million over the biennium for statewide and present law adjustments. The state special revenue shown in the proposed budget is for work support activities provided to MDC clients.

The Montana Developmental Center

MDC currently serves persons who are seriously developmentally disabled to the extent that they pose an immediate risk of harm to themselves or to others and cannot be safely and effectively served in the present community-based service system.

It is the charge of MDC to keep its clients from harming themselves and others as well as to keep staff safe from harm. It is a goal of MDC to stabilize the individuals served at the facility so that they may move from the institutional setting into services in the community.

Individuals arrive at MDC by a civil commitment, a criminal commitment, or by a court referral for short term evaluation of their fitness to proceed in criminal cases. Civil commitments are for no longer than one year. In criminal cases, if an individual is capable to stand trial and found guilty, but placement to the correction system is determined inappropriate, the individual can be committed to MDC as a criminal to serve a criminal sentence. The state must take an individual for an emergency civil commitment or for a criminal sentence.

The average daily population at MDC in FY 2006 was 78, but with the court mandated closure of a unit, the maximum population is presently 56 in the six residences and 12 in the Alternative Safety Unit (ASU) for a total capacity of 68 individuals that are defined as being a danger to themselves and others.

Figure 36 shows the population and related costs for FY 2006, FY 2008, and the projected 2011 biennium. The bottom line on Figure 36 shows the federal Medicaid reimbursement amounts that MDC receives for Medicaid eligible clients. Any reimbursements amounts go into the general fund. The reimbursement amounts presented in Figure 36 are projected by the DPHHS Institutional Reimbursement Bureau and are about $400,000 a year higher than the amount used for the Governor's MDC budget reflected in the benefit table presented earlier in the program narrative.

Figure 36
Montana Developmental Center Expenditures

	Actual FY 2006	Actual FY 2008	Requested FY 2010	Requested FY 2011
FTE	268.80	268.80	268.80	268.80
Personal Services	$12,332,832	$12,329,954	$13,573,036	$13,640,133
All other	2,859,972	2,913,672	3,026,235	3,035,313
Total	$15,192,804	$15,243,626	$16,599,271	$16,675,446
General Fund	$15,145,371	$15,189,807	$16,545,552	$16,621,723
State Special Rev.	47,433	53,819	53,719	53,723
Federal Special	0	0	0	0
	$15,192,804	$15,243,626	$16,599,271	$16,675,446
Population	78	63	72	72
Cost Per Person	$194,780	$241,962	$230,545	$231,603
Cost Per Day	$534	$663	$632	$635
Federal Reimbursements	$8,343,836	$8,952,602	$10,018,415	$10,281,905

As stated, the individuals in ASU are unlikely to be candidates for community inclusion because of the intense safety issues related to protecting the client and the caretakers. However, MDC has successfully moved the eligible clients into the community through the past biennium.

The remaining MDC population includes persons who have dual diagnoses of cognitive impairment and mental illness and those who have exhibited acts which are considered criminal under Montana code. There are also individuals who may be civilly committed to MDC because they have engaged in a criminal behavior, but have been determined to be incompetent to be prosecuted because they cannot understand the criminality of their actions. Others have been determined to be capable of understanding the criminal nature of their acts but are in need of treatment and are criminally sentenced. Many clients presently at MDC require a 2:1 staff ratio. Clients also may need to be separated while on recreational or class room activities due to aggressive outbreaks.

Many communities do not have the capacity for meeting the safety needs of persons who are developmentally disabled with issues of offending or those who are developmentally disabled with severe mental health treatment needs. The division sees this as a process of capacity building that is anticipated to occur over the coming three to five years at a minimum.

LFD ISSUE

The Complex Population of the Montana Developmental Center and Related Staffing Issues have been an On-going Concern of the Legislature

The 2005 Legislature provided over $2 million to address requirements of the Travis D lawsuit to move individuals from MDC into community services, support community training, provide crisis funds, and community facility modification.

The 2005 Legislature also provided $2.5 million through the long Range Building Program bill for the construction of a new, secure replacement unit, now called the Alternative Safety Unit (ASU). The facility was intended to create a secure, safe, therapeutic environment for people with developmental disabilities that are defined as being a danger to themselves and others. It now houses 12 residents in home-style dwellings.

The 2007 Legislature discussed the support of MDC in light of a population that is difficult to serve due to behavioral issues, criminal commitments, and severity of medical issues by providing: 1) a $1.6 million general fund supplemental appropriation in HB 3 to support staffing and overtime for FY 2007; and 2) a biennial present law adjustment of $900,000 over the 2009 biennium to continue support of the staffing needs of MDC.

The 2009 legislative budget deliberations for MDC continue the same issues. There are two areas of focus.

- The $660,000 general fund program transfer for the MDC comprising $540,000 in personal services and $120,000 in operations that was discussed in the program overview
- A request for nearly $2.4 million general fund over the biennium to restore zero-based personal services funding to maintain minimum MDC staffing requirements for 24-hour day, 7-days-a-week facility shifts

While the source of funds differ, the 2007 Legislature appropriated $2.5 million to address the same issues facing the 2009 Legislature as it discusses $3.1 million for the request and the program transfer.

LFD ISSUE (CONT.)

The on-going nature of the staffing issues and the recruitment and retention of direct care workers at MDC is apparent in: 1) the program overview in the light of the increased funding to the base as a result of the FY 2008 transfers; 2) the division's personal services discussion; and 3) the request for $2.4 million general fund over the biennium to restore zero-based personal services funding and maintain minimum MDC staffing requirements for workers at MDC.

There are overarching questions the legislature may wish to ask as it discusses the MDC budget and the related policy issues in light of the increasingly complex population of MDC.

- Does the $3.1 million adequately support the MDC budget in light of its present more intensive population?
- Does the request adequately address the recruitment and retention issues to sustain MDC through the interim and avoid a supplemental request?
- What other measures is MDC undertaking to address these issues, particularly as the demands on staff increase with the complexity of the population?
- Does the present budget place MDC in a position to move beyond its present situation of relying on the same FTE doing more through overtime?
- The division notes in its personal services discussion that it is working on the transportation issue related to its location in Boulder. If it finds an acceptable solution, are there funds available for the 2011 interim to address the solution?

As a means to address the future funding of MDC, the legislature may want to have the division develop goals and measureable objectives and establish an interim reporting timeframe that would address the staffing issues and the budget needed to implement them.

Options for $660,000 Program Transfer in FY 2008

The legislature may wish to consider:

- Having MDC provide a detailed report showing what was accomplished with the funds
- Reducing the base budget general fund for MDC by $660,000 with any necessary reduction in related federal authority
- Reducing the base budget for MDC as presented in the option above and asking the MDC to bring forth a funding request with justifications and indicators for legislative consideration during the subcommittee hearings

Budget Summary By Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	15,189,807	15,189,807	30,379,614	91.60%	15,243,626	15,243,626	30,487,252	91.62%
Statewide PL Adjustments	73,868	150,039	223,907	0.68%	73,768	149,943	223,711	0.67%
Other PL Adjustments	1,281,877	1,281,877	2,563,754	7.73%	1,281,877	1,281,877	2,563,754	7.70%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	**$16,545,552**	**$16,621,723**	**$33,167,275**		**$16,599,271**	**$16,675,446**	**$33,274,717**	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010 FTE	Fiscal 2010 General Fund	Fiscal 2010 State Special	Fiscal 2010 Federal Special	Fiscal 2010 Total Funds	Fiscal 2011 FTE	Fiscal 2011 General Fund	Fiscal 2011 State Special	Fiscal 2011 Federal Special	Fiscal 2011 Total Funds
Personal Services					578,335					648,220
Vacancy Savings					(516,337)					(519,125)
Inflation/Deflation					46,284					53,966
Fixed Costs					(34,514)					(33,118)
Total Statewide Present Law Adjustments					**$73,768**					**$149,943**
DP 10004 - Restore Zero-Based Personal Services at MDC	0.00	1,181,084	0	0	1,181,084	0.00	1,181,084	0	0	1,181,084
DP 10018 - MDC Utilization Fee, Medicaid Reimbursement Adjust	0.00	100,793	0	0	100,793	0.00	100,793	0	0	100,793
Total Other Present Law Adjustments	**0.00**	**$1,281,877**	**$0**	**$0**	**$1,281,877**	**0.00**	**$1,281,877**	**$0**	**$0**	**$1,281,877**
Grand Total All Present Law Adjustments					**$1,355,645**					**$1,431,820**

DP 10004 - Restore Zero-Based Personal Services at MDC - The Governor requests nearly $2.4 million general fund over the biennium to restore zero-based personal services funding to maintain minimum MDC staffing requirements at this 24-hour day, 7-days-a-week facility and cover shifts. The components of the request are:

- $504,887 each year of the biennium for overtime
- $16,454 each year of the biennium for differential pay to meet required union contracts when an employee performs duties outside of and above his/her regular job classification. Non-union employees also receive higher pay under agreed upon conditions on a temporary basis when assigned
- $867,544 each year of the biennium to cover holidays worked
- $448,396 each year of the biennium to adjust for the standard payroll benefits

LFD COMMENT Staff related issues were discussed in the subprogram overview.

Because of the amount of uncertainties as to when the funds may be necessary the legislature, should it opt to approve this request, may wish to designate the appropriation as biennial.

DP 10018 - MDC Utilization Fee, Medicaid Reimbursement Adjust - The executive requests $201,585 general fund and $1.5 million federal Medicaid funds over the biennium for: 1) the nursing facility utilization fee; and 2) an increase in federal Medicaid funds that are deposited as revenue into the general fund. The nursing facility utilization fee, which is commonly called the bed-tax payment, is estimated to be $100,793 in both FY 2010 and FY 2011. The Medicaid reimbursement is projected to be $600,621 in FY 2010 and $915,877 in FY 2011.

LFD COMMENT HB 722 from the 2003 session imposed a utilization fee on resident bed days of intermediate care facilities for the mentally retarded (ICF/MR). The fee imposed was equal to 5 percent of the facility's quarterly revenue, divided by the resident bed days for the quarter. The fee becomes part of the operating costs of the facility and is Medicaid reimbursable. The proceeds (Medicaid reimbursement) of the utilization fee are deposited 30 percent in the general fund and 70 percent in the state special revenue prevention and stabilization fund for use by the department. SB 82 later increased the utilization from 5 to 6 percent.

Sub-Program Details

DEVELOPMENTAL DISABILITY COMMUNITIES 03

Sub-Program Proposed Budget

The following table summarizes the proposed executive budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011	Total Exec. Budget Fiscal 10-11
FTE	84.52	0.00	0.00	84.52	0.00	0.00	84.52	84.52
Personal Services	4,279,411	408,337	0	4,687,748	423,774	0	4,703,185	9,390,933
Operating Expenses	1,583,708	124,810	0	1,708,518	135,311	0	1,719,019	3,427,537
Equipment & Intangible Assets	29,964	0	0	29,964	0	0	29,964	59,928
Benefits & Claims	102,827,167	3,077,497	3,924,000	109,828,664	3,392,753	6,158,060	112,377,980	222,206,644
Total Costs	**$108,720,250**	**$3,610,644**	**$3,924,000**	**$116,254,894**	**$3,951,838**	**$6,158,060**	**$118,830,148**	**$235,085,042**
General Fund	32,576,912	1,857,288	1,785,700	36,219,900	2,278,179	2,662,480	37,517,571	73,737,471
State/Other Special	2,667,826	467,761	0	3,135,587	467,761	0	3,135,587	6,271,174
Federal Special	73,475,512	1,285,595	2,138,300	76,899,407	1,205,898	3,495,580	78,176,990	155,076,397
Total Funds	**$108,720,250**	**$3,610,644**	**$3,924,000**	**$116,254,894**	**$3,951,838**	**$6,158,060**	**$118,830,148**	**$235,085,042**

Sub-Program Description

It is the mission of the Developmental Disabilities Program to support choices and opportunities for people with developmental disabilities in their communities.

As shown in the proposed budget the division requests $222 million in benefits and claims and $9 million for staff to carry out the mission. The services related to benefits and claims are primarily delivered through contracted providers throughout the state.

General fund increases nearly $8 million to the division budget include:

- $2.3 million for early intervention caseload growth for children birth to 3 years of age
- $2.1 million for the Medicaid match rate adjustment
- $2 million for caseload adjustments and provider rate increases
- $0.8 million in statewide present law adjustments
- $0.6 million for rent increase
- $0.5 million to annualize community service cost plans
- $0.2 for the autism waiver and MDC

Over the last two biennia, the service system has undergone significant system change. The 2007 legislature appropriated $18 million to strengthen the infrastructure for community services for developmentally disabled individuals through a rate rebasing project for community providers and $3.2 million to reduce the waiting list for individuals requesting services in their communities. This budget includes requests to annualize the cost plans that were funded last session and to fund the increasing caseload.

As mentioned in the goal and objective discussion of the program narrative, the legislature may with to weigh in on both the quantity and the quality of services provided by the division and its contracted providers as it deliberates the division's budget.

Budget Summary By Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	32,576,912	32,576,912	65,153,824	88.36%	108,720,250	108,720,250	217,440,500	92.49%
Statewide PL Adjustments	361,625	369,620	731,245	0.99%	415,258	431,805	847,063	0.36%
Other PL Adjustments	1,495,663	1,908,559	3,404,222	4.62%	3,195,386	3,520,033	6,715,419	2.86%
New Proposals	1,785,700	2,662,480	4,448,180	6.03%	3,924,000	6,158,060	10,082,060	4.29%
Total Budget	**$36,219,900**	**$37,517,571**	**$73,737,471**		**$116,254,894**	**$118,830,148**	**$235,085,042**	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010					Fiscal 2011				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					603,660					619,739
Vacancy Savings					(195,323)					(195,965)
Inflation/Deflation					2,867					3,359
Fixed Costs					4,054					4,672
Total Statewide Present Law Adjustments					**$415,258**					**$431,805**
DP 10001 - FMAP Adjustment	0.00	875,591	0	(875,591)	0	0.00	1,241,563	0	(1,241,563)	0
DP 10002 - Annualization of Community Service Cost Plans	0.00	260,534	0	541,602	802,136	0.00	264,224	0	537,912	802,136
DP 10003 - Annualize DSD Provider Rate Increases	0.00	309,235	467,761	897,744	1,674,740	0.00	348,462	467,761	858,517	1,674,740
DP 10005 - Rent For Non-State Facilities	0.00	50,303	0	67,586	117,889	0.00	54,310	0	72,970	127,280
DP 10018 - MDC Utilization Fee, Medicaid Reimbursement Adjust	0.00	0	0	600,621	600,621	0.00	0	0	915,877	915,877
Total Other Present Law Adjustments	**0.00**	**$1,495,663**	**$467,761**	**$1,231,962**	**$3,195,386**	**0.00**	**$1,908,559**	**$467,761**	**$1,143,713**	**$3,520,033**
Grand Total All Present Law Adjustments					**$3,610,644**					**$3,951,838**

DP 10001 - FMAP Adjustment - The executive requests an increase in general fund of approximately $2 million over the biennium, with an offsetting decrease in federal Medicaid funds, due to a projected change in Federal Medical Assistance Percentage (FMAP) rates for FY 2010 and FY 2011.

The projected FMAP rate for FY 2010 is 67.52 percent and 67.06 percent for FY 2011, as compared to the base year FMAP of 68.62 percent for FY 2008. This equates to an increase in general fund in FY 2010 of $875,591 and FY 2011 of $1,241,563 to maintain current level activities.

DP 10002 - Annualization of Community Service Cost Plans - The Governor requests approximately $1.6 million total funds over the 2011 biennium, including just over $0.5 million general fund, to support annualized cost plans for individuals that entered developmental disability community services during FY 2008. The funding for this proposal is at the Medicaid program matching rate.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: In the 2007 session, DDP was appropriated $1.6 million each year of the 2009 biennium to address the wait-list, with which it placed 21 individuals into community service settings in FY 2008. These individuals entered services at different times throughout FY 2008. As a means to fund the individual cost plans through FY 2009, DDP spent $1.0 million ($320,080 general fund) in FY 2008 to ensure sufficient funding for the individuals' ongoing cost plan needs of $1.8 million ($571,774 general fund).

The funds requested in this decision package provide the difference between base-year spending and ongoing cost plan needs, with an adjustment for FMAP changes.

Goal: To continue to serve individuals already in DDP community service settings at the level of service they are currently receiving.

Performance Criteria: Individuals already in DDP community services will continue to receive appropriate care as authorized by the program's rules. Staff will monitor program budgets monthly to insure that the program is operating within funding levels as appropriated.

Obstacles and Risks: There is a shortage of providers who are willing and able to provide these services. Without increased funding it is expected that expenditures would exceed the budgeted authority because these individuals are already in ongoing community services. If resources are not available to continue to provide these services, the program may have to reduce or cut services in other areas. Reducing or cutting services is not recommended, since services have been limited to those who are in greater need. Those in need of, but not receiving community services are more likely to experience an episode that could result in a commitment to MDC.

LFD ISSUE

Waiting List

The waiting list was addressed earlier in the program overview in the discussion of caseload adjustment. As noted in that discussion, the waiting list has been an on-going concern of past legislatures. This request annualizes costs for individuals that left the waiting list and moved into community services.

The performance criteria listed do not tell the legislature if anything has been achieved by the expenditures, and the monthly monitoring of the budget is the job of DSD staff. It is not an outcome or a milestone. This is of concern in these cases because the services are delivered by contracted providers. An individual's cost plan may have been maintained at the same dollar amount, but is the individual better off, or would another service for the same dollar amount better serve the individual?

The legislature may wish to discuss the inclusion of a quality component to its performance criteria with the division.

DP 10003 - Annualize DSD Provider Rate Increases - The executive requests $3.6 million total funds over the biennium to annualize the rate increases authorized by the 2007 Legislature, which was to be phased in over the 2009 biennium. Funding includes just over $0.9 million general fund and $0.9 million state special revenue tobacco tax funding.

The 2007 Legislature appropriated the DDP two provider rate increases: 1) an agency-wide provider rate increases, and 2) an increase that was included in the rate rebasing request. The appropriation included increases from FY 2008 to FY 2009. This decision package allows the division to continue provider rates into the 2011 biennium at the same level approved for FY 2009.

DP 10018- MDC Utilization Fee - The executive requests $201,585 general fund and $1.5 million federal Medicaid funds over the biennium for: 1) the nursing facility utilization fee; and 2) an increase in federal Medicaid funds that are deposited as revenue into the general fund. The nursing facility utilization fee, which is commonly called the bed-tax payment, is estimated to be $100,793 in both FY 2010 and FY 2011. The Medicaid reimbursement is projected to be $600,621 in FY 2010 and $915,877 in FY 2011.

LFD COMMENT HB 722 from the 2003 session imposed a utilization fee on resident bed days of intermediate care facilities for the mentally retarded (ICF/MR). The fee imposed was equal to 5 percent of the facility's quarterly revenue, divided by the resident bed days for the quarter. The fee becomes part of the operating costs of the facility and is Medicaid reimbursable. The proceeds (Medicaid reimbursement) of the utilization fee are deposited 30 percent in the general fund and 70 percent in the state special revenue prevention and stabilization fund for use by the department. SB 82 later increased the utilization from 5 to 6 percent.

New Proposals

New Proposals										
	Fiscal 2010					Fiscal 2011				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 10008 - DSD Caseload Adjustments										
03	0.00	299,839	0	623,311	923,150	0.00	706,016	0	1,430,820	2,136,836
DP 10009 - Provider Rate Increase - DSD										
03	0.00	305,572	0	411,048	716,620	0.00	727,061	0	962,969	1,690,030
DP 10011 - Autism Waiver										
03	0.00	50,000	0	103,941	153,941	0.00	50,000	0	101,791	151,791
DP 10016 - Developmental Disabilities Program - Fed. Funding										
03	0.00	0	0	1,000,000	1,000,000	0.00	0	0	1,000,000	1,000,000
DP 10020 - Early Intervention Caseload Growth										
03	0.00	1,130,289	0	0	1,130,289	0.00	1,179,403	0	0	1,179,403
Total	**0.00**	**$1,785,700**	**$0**	**$2,138,300**	**$3,924,000**	**0.00**	**$2,662,480**	**$0**	**$3,495,580**	**$6,158,060**

The Governor's request for caseload adjustments (DP 10008) and a 1 percent provider rate increase (DP 10009) are discussed at the program level.

DP 10011 - Autism Waiver – The executive requests $305,732 of general and federal funds over the biennium to increase support for the Human and Community Based Services waiver for children with autism. The division envisions that the autism waiver would start mid FY 2009 with annual funding of $1.9 million, and the ability to serve 50 children annually. The average cost per child for the autism waiver is approximately $40,000 per year. The funding in this request would provide services for an additional four children in the waiver for each year of the biennium. Funding is $100,000 general fund and $205,732 federal funds over the biennium.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: This proposal would add four children under age five into autism waiver services, assuming that the autism waiver is approved by July 2009. Data shows that early, intense services make a significant improvement in the functioning and coping skills of an autistic child. The improvement of these skills leads to a reduction of lifelong services that the child would need otherwise and creates significant cost savings.

Goal: To provide services to four additional children under the autism waiver.

Performance Criteria and milestone: The measure of progress for this goal is whether or not four additional children are screened into the autism waiver and receive services by 12/31/09, assuming that the autism waiver is approved by 7/1/09.

Obstacles and Risks: The obstacle to implementing this proposal would be not receiving approval of the autism waiver. The risk of not adopting this proposal is that there would be four less children that receive these services, which could result in an increase in required services and costs to serve these children as they age.

LFD ISSUE

This Request is for an Increase to a Program started Without Legislative Consideration

As noted earlier in the program narrative, the work to begin the autism waiver began over the interim. A workgroup of parents, providers, and staff members representing DPHHS, as well as educational entities, legislators, the medical community, and others with an interest in children with autism guided the process including the development of the waiver. Beginning with the initial workgroup discussions the division was encouraged to begin the program as quickly as possible.

Initial funding of $340,000 general fund came via the program transfers mentioned earlier in the program narrative. The division used another $380,000 to begin a program to identify the number of Montana children under five who have autism by offering free autism screenings at various clinics across the state where parents could have their children diagnosed and autism verified and evaluated. The screenings should be complete by the start of the 2009 session and once data is compiled the state will have an accurate count of children with autism. (At the time the screenings were implemented, there were about 100 known children with autism throughout the state.) The legislature should receive a report as soon as it is available.

As of November 2008 the autism waiver has not been approved. This request is based on the assumption that it would be approved by July 2009, and perhaps as early as December 2008.

Legislative considerations
Should the legislature wish to approve this request of $305,732 over the biennium to increase support for the Human and Community Based Services waiver for children with autism, and ensure that the funds are not used for other purposes if there is a delayed implementation of the waiver, it could restrict the funds and make the appropriation contingent upon receipt of the autism waiver.

Should the legislature wish to address the $340,000 program transfer to address specialized children's autism services, it may want to consider that the funding from the program transfer was used to start a program that could increase the division's budget every biennium. For example, the division does not yet have an approved waiver and it is now requesting over $300,000 total funds for the 2011 biennium to address it.

Options:
Because the autism project did not receive legislative discussion, the legislature may wish to ask the division to bring projected cost estimates for the 2011 and 2013 biennia to operate the program.

The legislature may also wish to consider discussing with the division:

- The development of goals with measurable objectives and an interim reporting timeframe that would allow the legislature to hear about the progress being made toward implementation of the waiver
- The addition of a component to the autism waiver that would track the progress made by children participating in the waiver

LFD ISSUE (CONT.)

If the legislature is concerned about the program transfer increase to the general fund, it may wish to consider:

- Having DDP provide a detailed report showing what was accomplished with the funds
- Reducing the base budget general fund for DDP by $340,000 with any necessary reduction in related federal authority
- Reducing the base budgets for DDP as presented in the option above and asking DDP to bring forth a funding request with justifications and indicators for legislative consideration during the subcommittee hearings

DP 10016 - Developmental Disabilities Program - Fed. Funding - The Governor requests $2 million federal authority over the biennium to provide for increases in federal grants or to maximize general fund under the Home and Community Based Waiver that have already been appropriated. This waiver is used to fund services to individuals with developmental disabilities. The federal authority would not require any future commitment of general fund dollars.

In the past, the Developmental Disabilities Program (DDP) has been appropriated federal spending authority to pursue additional federal revenue as long as the added funding did not require the state to increase the commitment of general fund. The DDP has been successful at securing additional federal funds within the limitations imposed by the legislature. This request would continue the past practice with the intent that any additional refinancing would be used to strengthen and expand services without committing the state to additional general fund.

DP 10020 - Early Intervention Caseload Growth - The executive requests over $2 million general fund over the biennium to support caseload growth in the Part C Early Intervention Program. The Part C program is an entitlement for eligible recipients. It is supported with federal funds and general fund maintenance of effort, which requires providers to perform outreach efforts and serve more children every year. The average expenditures per child per year were $2,337 in FY 2004. Because caseloads have grown at a higher rate than funding, the average expenditures per child per year were $2,051 in FY2008 – a decrease of $286 per child per year in resources to serve each person.

The Part C program has experienced an average of 3.7 percent growth per year (14.7 percent cumulative) in the number of clients from FY 2004 through FY 2008 with an average 1.4 percent growth per year (5.6 percent cumulative) in funding.

This request would continue the level of funding approved for FY 2009 into the 2011 biennium.

LFD ISSUE

Program Measures

Over the interim the division, its Part C contracted providers and the legislature acknowledged the gap between the growing caseloads and stagnate funding. As noted in the discussion of the increases to the base in the program overview, the division transferred $250,000 of federal funds to the Part C program in FY 2009 to help address this problem.

However, this request provides very little information about what its resources are actually buying for the state and its children in this program. There is insufficient information for the legislature to link the amount of requested resources to the number of individuals served or the quality of the services that would be provided. Additionally, there are no outcomes provided from which the children and their families, the division, or the legislature can understand the successes achieved as a result of the increase resources.

The legislature may wish to discuss with the division the development of goals with measureable objectives and baseline data that would track the appropriation over the biennium and reflect its successes.

Sub-Program Details

DISABILITY DETERMINATION 04

Sub-Program Proposed Budget

The following table summarizes the proposed executive budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011	Total Exec. Budget Fiscal 10-11
FTE	42.09	3.00	0.00	45.09	3.00	0.00	45.09	45.09
Personal Services	2,354,585	394,940	0	2,749,525	404,530	0	2,759,115	5,508,640
Operating Expenses	2,439,780	133,936	0	2,573,716	241,047	0	2,680,827	5,254,543
Benefits & Claims	51,432	19,856	0	71,288	30,062	0	81,494	152,782
Total Costs	**$4,845,797**	**$548,732**	**$0**	**$5,394,529**	**$675,639**	**$0**	**$5,521,436**	**$10,915,965**
Federal Special	4,845,797	548,732	0	5,394,529	675,639	0	5,521,436	10,915,965
Total Funds	**$4,845,797**	**$548,732**	**$0**	**$5,394,529**	**$675,639**	**$0**	**$5,521,436**	**$10,915,965**

Sub-Program Description

Disability Determination Services (DDS) works with the Social Security Administration (SSA) in administering two disability programs. Social Security Disability Insurance (SSDI) is a monthly benefit paid to eligible individuals who cannot work due to serious physical or mental disability. Supplemental Security Income (SSI) is a needs based program that provides coverage for adults and children whose income and resources are below a specified level. The same medical/vocational criteria are used for both programs to determine eligibility for benefits.

A brief summary of the indicators used to determine if an individual qualifies for SSDI or SSI include: 1) If a working individual earns an average of more than $700 a month; 2) if impairments are "severe" enough to interfere with basic work-related activities; 3) if the individual's condition is found in the list of disabling impairments or could be of equal severity to an impairment on the list; 4) if a severe condition that is not the same or of equal severity as an impairment on the list allows an individual the ability to do the work they did in the last 15 years; and 5) if the individual can do any other type of work considering their age, education, past work experience, and transferable skills.

As shown in the proposed budget, the division is funded entirely with federal funds. The increases are due to statewide and present law adjustments.

Budget Summary By Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	---General Fund---				---Total Funds---			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	0	0	0	0.00%	4,845,797	4,845,797	9,691,594	88.78%
Statewide PL Adjustments	0	0	0	0.00%	116,543	123,312	239,855	2.20%
Other PL Adjustments	0	0	0	0.00%	432,189	552,327	984,516	9.02%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	**$0**	**$0**	**$0**		**$5,394,529**	**$5,521,436**	**$10,915,965**	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010 FTE	Fiscal 2010 General Fund	Fiscal 2010 State Special	Fiscal 2010 Federal Special	Fiscal 2010 Total Funds	Fiscal 2011 FTE	Fiscal 2011 General Fund	Fiscal 2011 State Special	Fiscal 2011 Federal Special	Fiscal 2011 Total Funds
Personal Services					218,667					225,609
Vacancy Savings					(102,932)					(103,208)
Inflation/Deflation					808					911
Total Statewide Present Law Adjustments					**$116,543**					**$123,312**
DP 10006 - Disability Determination Services Base Adjustments	0.00	0	0	152,984	152,984	0.00	0	0	270,198	270,198
DP 10007 - FTE for Disability Determination	3.00	0	0	183,702	183,702	3.00	0	0	183,762	183,762
DP 10019 - Restore Zero-Based Personal Services at DDS	0.00	0	0	95,503	95,503	0.00	0	0	98,367	98,367
Total Other Present Law Adjustments	**3.00**	**$0**	**$0**	**$432,189**	**$432,189**	**3.00**	**$0**	**$0**	**$552,327**	**$552,327**
Grand Total All Present Law Adjustments					**$548,732**					**$675,639**

DP 10006 - Disability Determination Services Base Adjustments - The executive requests an increase in federal funds over the biennium for the DDS for medical consultants, rental space, and client travel The three parts to this request are:

- Medical consultants review all cases cleared through the DDS as mandated by federal law and are paid through contracts mandated by state law. Projections indicate a 22 percent increase in case clearances for FY 2010 and an increase of 33 percent in FY 2011. The increase each year reflects increased productivity as the transition to a paperless process continues. Funding for Medical consultants entails about $0.4 million over the biennium
- Rent for the DDS office on Prospect Avenue in Helena was $162,186 for FY2008 and is projected to increase to $168,796 for FY 2010 and $172,179 for FY 2011. This represents a cost per square foot of $10.98 in FY 2010 and $11.20 in FY 2011 for 15,373 square feet for an increase of $16,603 over the biennium.

Disability claimants that are required to travel to consultative examinations are reimbursed for their expenses at state per diem rates. Using the projections of a 22 percent increase in case clearances in FY 2010 and an increase of 33 percent in FY 2011, the projected increase comes to $49,918 over the biennium.

DP 10007 - FTE for Disability Determination - The Governor requests an increase of over $0.3 million in federal funds over the biennium for 3.00 FTE claims adjudicators in disability determination services. The Social Security Administration, the federal oversight agency for DDS, approved 3.00 FTE to begin in FY 2009 and continue indefinitely. The division hired three claims adjudicators as modified FTE in FY 2009. The Governor requests that these be made permanent HB 2 FTE.

DP 10019 - Restore Zero-Based Personal Services at DDS - The Governor requests nearly $0.2 million federal funds over the biennium to adjust for zero-based personal services funding to process the workload in an electronic environment and to meet Social Security Administration (SSA) required productivity levels. Overtime, differential, holiday, and associated personal service benefit payments are zero based and must be requested each biennium. The components of the request are:

- $49,328 over the biennium for overtime to help process the workload to maintain a manageable level of pending cases

$144,542 over the biennium for the holiday pay due to the premium amount paid for those employees that work on state recognized holidays

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	86.00	86.00	150.00	150.00	86.00	150.00	64.00	74.42%
Personal Services	3,931,820	4,824,779	7,936,224	7,954,370	8,756,599	15,890,594	7,133,995	81.47%
Operating Expenses	9,983,559	8,891,704	11,502,791	11,097,082	18,875,263	22,599,873	3,724,610	19.73%
Equipment & Intangible Assets	5,535	0	5,535	5,535	5,535	11,070	5,535	100.00%
Grants	645,569	189,278	645,569	645,569	834,847	1,291,138	456,291	54.66%
Benefits & Claims	472,602,973	600,772,781	604,750,493	644,001,671	1,073,375,754	1,248,752,164	175,376,410	16.34%
Transfers	0	0	0	0	0	0	0	n/a
Debt Service	0	2,282	0	0	2,282	0	(2,282)	(100.00%)
Total Costs	**$487,169,456**	**$614,680,824**	**$624,840,612**	**$663,704,227**	**$1,101,850,280**	**$1,288,544,839**	**$186,694,559**	**16.94%**
General Fund	107,427,618	137,625,754	129,285,151	139,591,484	245,053,372	268,876,635	23,823,263	9.72%
State Special	39,209,729	53,486,558	67,420,556	71,467,187	92,696,287	138,887,743	46,191,456	49.83%
Federal Special	340,532,109	423,568,512	428,134,905	452,645,556	764,100,621	880,780,461	116,679,840	15.27%
Total Funds	**$487,169,456**	**$614,680,824**	**$624,840,612**	**$663,704,227**	**$1,101,850,280**	**$1,288,544,839**	**$186,694,559**	**16.94%**

Program Description

The Health Resources Division (HRD) administers Medicaid primary care services, children's mental health services, Children's Health Insurance Program (CHIP), and Big Sky Rx. The purpose of the division is to improve and protect the health and safety of Montanans. The division reimburses private and public providers for a wide range of preventive, primary, and acute care services. Major service providers include physicians, public health departments, clinics, hospitals, dentists, pharmacies, durable medical equipment, and mental health providers. The division develops tools, measurements and reports necessary to allow division management to administer and control programs and expenditures in the division, and to report those results in an accurate and timely manner to others. The division strives to provide superior customer service in a respectful, fair, and timely manner.

The majority of services in the division are funded through Medicaid. Medicaid is a voluntary state/federal partnership that reimburses for medical services for the aged, blind, disabled, children, and low-income families. In addition to Medicaid, the division has a small federal SAMHSA grant that provides regional infrastructure and very limited services for children below 150 percent of the federal poverty level who have a serious emotional disturbance.

The division administers CHIP as a separate health insurance program and contracts with Blue Cross Blue Shield to provide third party administrator services. CHIP dental and eyeglasses benefits are reimbursed directly by the department. CHIP is a voluntary state/federal partnership that reimburses for medical services for children at or below 175 percent of poverty. CHIP eligibility is determined by division staff.

Big Sky Rx is a state funded program that helps Montanans, who are at or below 200 percent of poverty and who are eligible for the Medicare Part D prescription drug program, pay for their Medicare premium. Big Sky Rx eligibility is determined by division staff. A related program, PharmAssist, pays for prescription drug counseling by a pharmacist and provides drug information and technical assistance to all Montanans.

HRD also administers health programs established by the passage of I-155, the Healthy Montana Kids initiative. The initiative raised CHIP eligibility from 175 percent of the federal poverty level to 250 percent and raised Medicaid eligibility to 185 percent of the federal poverty level. Family assets may not be considered in determining eligibility for the expansion populations.

Program Highlights

Health Resources Division
Major Budget Highlights

- The 2011 biennium budget request is $186.7 million greater than the 2009 biennium, including $23.8 million general fund
  - Healthy Montana Kids adds $114.6 million, due to passage of voter initiative I-155 in November 2008
  - Biennium to biennium Medicaid service utilization and eligibility increases are $56.1 million total funds, including $18.4 million general fund
- Most of the executive budget increase funds continuation of current level services
  - Executive budget changes are made from the FY 2008 base budget so the total change amount is greater than the biennium to biennium difference
  - Present law changes add $306.9 million total funds, including $50.7 million general fund
  - Medicaid service utilization and eligibility increases add $39.6 million total funds, including $13.0 million general fund
  - Continuation of the hospital utilization fee adds $28.0 million, including $9.2 million in tax revenue used as federal Medicaid match
  - CHIP enrollment and operating cost increases add $21.5 million, including $2.2 million general fund
  - Big Sky Rx Medicare Part D premium assistance for low-income seniors adds $6.4 million in health and Medicaid initiatives state special revenue
  - Expansion of Medicaid services to include heart, lung and liver transplants for adults adds $6.1 million total funds
- New proposals add $7.3 million general fund, including $2.7 million general fund to implement:
  - A program to allow disabled workers to earn more income and retain Medicaid services, including funds for 2.00 FTE
  - A general fund expansion of dental services for low income persons, including Medicaid beneficiaries
  - A waiver to fund community services to prevent placement of seriously emotionally disturbed youth in residential psychiatric facilities, including funds for 2.00 FTE
  - A 1 percent annual provider rate increase implemented October 1 of each fiscal year

Major LFD Issues

- Developing accurate Medicaid cost estimates for the 2011 biennium will be difficult
  - The economic slow down will contribute to higher enrollment in Medicaid, but the historic data used to estimate costs may not accurately reflect potential increases
  - Implementation of the National Provider Identifier slowed claims processing in late FY 2008
  - Enrollment declines between November 2006 and December 2007 contributed to slower cost growth

- The executive budget is based on federal CHIP grant amounts that are substantially in excess of historic grant amounts
- Current CHIP enrollment cannot be sustained without substantial federal grant increases
- There may be unnecessary increases to the general fund from reductions in state special revenue specifically allocated to CHIP
- LFD projections of Big Sky Rx costs are $1.1 million lower than the executive budget based on an average lower monthly payment
- Goals and objectives submitted with the budget request are of poorer quality than those listed on the HRD website
- Goals and objectives measure outcomes for a very small portion of HRD appropriations
- It will be challenging to implement meaningful measures to evaluate performance of health plan expenditures, but without useful measures the legislature cannot assess what it is purchasing for nearly $1 billion

Program Narrative

The HRD 2011 biennium request is $186.7 million higher than the 2009 biennium budget, including funding for 64.00 new FTE. The single most significant change is the addition of $114.6 million and 60.00 new FTE for the Healthy Montana Kids (HMK) program enacted by citizen initiative I-155 November 2008. A portion of the total general fund increase is due to a higher state Medicaid match rate, which rises from 31.41 percent in FY 2008 to an estimated 32.97 percent by FY 2011. Each 1 percent change in the match rate causes a $10.9 million change in state match costs over the biennium (based on the 2011 biennium budget request).

The legislature will consider changes in the executive budget that add funds to FY 2008 base expenditures to arrive at appropriations for FY 2010 and FY 2011. The total executive budget changes are higher than the biennial comparison ($314.2 million) because of the base adjustments also include incremental increases that would be reflected in the FY 2009 appropriation, primarily related to Medicaid cost growth.

The most significant changes in the executive budget are:

- Medicaid cost increases - $140.0 million total funds, $36.7 million general fund
- Healthy Montana Kids Initiative – 60.00 new FTE, $114.1 million total funds, $39.1 million state special revenue from insurance premium taxes
- Supplemental payments to hospital increases - $28.0 million total funds, $9.2 million hospital utilization fee state special revenue
- CHIP enrollment and cost increases - $21.4 million, $2.2 million general fund, $2.7 million state special revenue
- Medicaid service expansions to cover additional types of organ transplants for adults and to allow disabled enrollees to earn more income and retain Medicaid services - $6.6 million total funds, $0.2 million general fund $2.0 million state special revenue
- Increased enrollment in Big Sky Rx (Medicare Part D prescription drug premium assistance for low-income Medicare eligible persons) - $6.4 million health and Medicaid initiatives revenue
- Provider rate increases - $4.9 million, $1.6 million general fund
- A reduction in the federal match rate does not alter total spending, but it increases the state share of Medicaid and CHIP costs by $11.8 million total funds, $11.5 million general fund

Majority of Cost in Present Law Adjustments

The majority ($306.9 million) of the 2011 biennium budget request supports present law adjustments to continue services at the level authorized by the last legislature, with two exceptions. Healthy Montana Kids was enacted by voter initiative November 2008, and is included as a present law adjustment because the statute was effective on passage, even though it is a new program. The executive also included expansion of Medicaid services to cover certain transplants for adults as a

present law adjustment, which should have been categorized as a new proposal. Historically the legislature removed funds for some adult transplant services as a budget reduction measure, another reason it should be a new proposal.

New proposals fund:
- Provider rate increases
- An expansion of Medicaid eligibility to allow disabled persons to keep Medicaid services as their earnings increase
- Potential cost increases for anticipated federal changes to payments for therapeutic group home and foster care services
- A Medicaid waiver to provide community services to children at risk of placement in residential psychiatric care

Medicaid Cost Estimates

Estimating Medicaid costs was difficult during the last legislative session and may be more problematic this session. There are several reasons:
- Anomalies in recent claims payment speed up and slow down, which distort historic cost patterns used to develop estimates
- Underlying claims cost trends that may be disguised due to data anomalies
- Recent Medicaid claims data that may not capture the potential effects of the economic decline

Medicaid Caseload Projections

With that caveat, HRD Medicaid caseload projections for the 2011 biennium assume that cost trends will increase compared to the experience between FY 2007 to FY 2008. Cost trends for some services are based on historic cost experience rather than the most recent experience of cost moderation, partly to reflect the economic downturn. Figure 37 shows costs for present law budgets for Medicaid services that are caseload driven and that have state match requirements. Figure 37:
- Compares FY 2008 expenditures to the FY 2008 appropriation
- Lists the FY 2009 appropriation
- Shows the executive budget request for each year of the 2011 biennium
- Determines the overall annual growth rate for the 2011 biennium compared to base budget expenditures
- Calculates an estimate of total state match requirements for each year
- Shows the net state match supporting for caseload growth excluding funding changes due to the increase in the state match rate

Figure 37
HRD Present Law Medicaid Request for Services with State Match that are Caseload Driven
2009 Biennium Actuals/Appropriation Compared to 2011 Biennium Request

	<----------FY 2008---------->		FY 2009	FY 2010	FY 2011
Service	Appropriation	Expenditures	Appropriation	Executive Budget Request	
Hospital & Clinic Services	$140,894,344	$130,165,140	$153,434,719	$145,915,894	$153,587,101
Children's Mental Health	72,708,839	59,429,661	79,624,213	67,061,668	69,606,784
Managed Care Services	70,301,759	47,439,644	76,018,205	54,338,660	54,225,213
Pharmacy Services	45,590,933	36,512,621	50,620,214	47,516,277	53,863,829
Acute Services	40,432,383	31,541,992	53,263,848	32,923,044	34,838,636
Medicare Buy-In	20,917,096	21,385,057	23,216,242	24,275,524	26,705,629
Cervical and Breast Cancer	3,029,364	2,715,711	3,640,548	2,784,865	2,858,942
Total	$393,874,718	$329,189,826	$439,817,989	$374,815,931	$395,686,134
Annual Percent Change		-16.4%	33.6%	-14.8%	5.6%
Annual Change from Base Expenditures to FY 2010 & FY 2011 Request				*6.7%*	*6.3%*
Estimated State Match at FY	$123,724,084	$103,405,240	$140,257,957	$121,852,659	$130,457,718
Change in State Match from FY 2008 Actuals		($20,318,844)	$36,852,717	$18,447,419	$27,052,479
Change Due to State Match Increase				(4,878,826)	(6,921,711)
Net State Fund Change due to Caseload Increase				$23,326,246	$33,974,190

NOTE: Present law costs do not include the budget request for Healthy Montana Kids nor Part D clawback. State match change is the sum of executive budget requests for Medicaid and CHIP, and the amount estimated but not specifically identified for children's mental health Medicaid services.

Excess Appropriation Amounts

Expenditures for HRD administered Medicaid services were $67.7 million lower than the FY 2008 appropriation - $20.3 million in state funds. Only one service – the Medicare buy in (Part A and Part B premiums are paid on behalf of persons who are also eligible for Medicaid) – exceeded appropriated levels ($21.4 million in cost compared to the $21.0 million appropriation)

The FY 2009 appropriation is 31.5 percent higher than base expenditures and exceeds the present law request each year of the 2011 biennium. Potential reversions from FY 2009 Medicaid appropriations are estimated and discussed in the agency overview.

FY 2008 Reversions

HRD reverted about $11.7 million general fund from appropriations for Medicaid services in the base year. (Reversions and appropriation transfers are discussed in the DPHHS overview). As noted earlier, estimating 2009 biennium Medicaid costs was challenging during the 2007 session. In the fall of 2006, DPHHS purchased an optical scanner to allow its claims payment agent to process a backlog of 50,000 paper claims. The back log was cleared over about three months, but the types and amounts of claims were not tracked due to the complexity and difficulty of doing so. Expenditures spiked across all services. It was difficult to determine how much of the upturn was related to payment of the backlog and how much was due to ongoing, underlying cost increases, especially since FY 2006 Medicaid costs exceeded appropriated levels (the legislature approved a supplemental appropriation for FY 2007). The department lowered its 2009 biennium Medicaid request over $30.0 million ($9.0 million general fund) during legislative consideration of its budget, but was not confident that costs would go any lower.

In late FY 2007 cost growth began to slow and continued through FY 2008. In the last two years, average monthly Medicaid enrollment (number eligible) has declined from a high of 79,270. Over that time period enrollment hit several peaks and valleys until it reached its lowest level – 77,264 in December 2007. Recently it has begun to rise and was 77,927 enrollees in October 2008.

Projections for certain services (pharmacy and children's mental health in particular) used higher cost trends than supported by the most recent data. However, Medicaid enrollment (and therefore cost) is increasing. Claims costs for enrollment increases usually lag enrollment growth by several months to a year depending on the services used. Medicaid caseload projections will be updated during the session.

FY 2008 Data Anomaly

As stated earlier, a further complication in estimating 2011 biennium Medicaid costs is due to a data anomaly in FY 2008. The Administrative Simplification provisions of the Health Insurance Portability and Accountability Act of 1996 (HIPAA) mandated the adoption of a standard unique 10 digit identifier for health care providers – the National Provider Identifier (NPI). All entities had to be in compliance with NPI requirements by May 23, 2008.

In the case of Montana Medicaid that meant that medical claims must contain the NPI for the health care provider. Moving to NPI contributed to a slow down in claims processing, due to inaccurate or missing NPI information. Potentially claims data in late FY 2008 would have showed lower cost trends due to the time required to reprocess and correct inaccurate NPI data. This data anomaly is opposite of the data anomaly faced last session.

Medicaid costs are projected using historic claims payment data. A slow down in claims payment information could mask underlying cost increases. This aberration will contribute to the difficulty in projecting Medicaid costs for the coming biennium, particularly if there are sustained enrollment increases due to the economic downturn.

Establishing 2011 Biennium Medicaid Appropriation Levels

When the appropriation subcommittee considers the Medicaid services budget request, there will be an additional two months of recent Medicaid expenditure and enrollment data, which may help clarify the potential effect of the economic

down turn on Medicaid costs. The LFD has requested the DPHHS provide the following data to help the legislature evaluate or establish cost trends that may be different than those in the executive budget:

- o An estimate of the length of time that it takes for enrollment increases to be reflected in paid claims data
- o Historic information that could be used to estimate the effect of an economic downturn on Medicaid costs, from the early 1980s, for example

Depending on new data and information, the legislature may face several options that can be evaluated in discussions with DPHHS and interest groups. If it appears that Medicaid costs will exceed the executive request, the legislature may wish to appropriate additional funds or it may wish to consider cost reductions. Alternatively, if cost trends appear too high, the legislature could reduce appropriations or approve the executive request (as a potential safety net incase the economic downturn is greater than anticipated), and consider restricting the transfer of appropriations to other uses

HRD Division Budget by Service

Figure 38 shows the HRD 2011 biennium budget request compared to base budget expenditures. The budgets for major functions are shown as well as the amount requested for each major benefit.

Figure 38
Fiscal 2008 Base Budget Compared to 2011 Biennium Executive Budget Request - Health Resources Division

	FY 2008 Base Budget				FY 2010 Executive Budget Request				FY 2011 Executive Budget Request				% of
Major Function and Services	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	Total
Major Function													
Medicaid Services	89,498,201	$27,138,721	$274,221,080	$390,858,002	$106,787,420	$33,154,286	$314,348,945	$454,290,651	$115,381,557	$35,423,622	$332,245,780	$483,050,959	72.8%
Children's Health Resources	103,996	6,621,200	23,829,603	30,554,799	1,101,943	25,328,593	65,848,903	92,279,439	1,539,502	27,051,001	70,715,304	99,305,807	15.0%
Children's Mental Health	17,825,421	2,410,070	42,481,426	62,716,917	21,395,788	2,432,866	47,937,057	71,765,711	22,670,425	2,485,541	49,684,472	74,840,438	11.3%
Big Sky Rx Programs	0	2,543,979	0	2,543,979	0	6,009,052	0	6,009,052	0	6,011,264	0	6,011,264	0.9%
Dental Access	0	495,759	0	495,759	0	495,759	0	495,759	0	495,759	0	495,759	0.1%
Total Division Budget*	$107,427,618	$39,209,729	$340,532,109	$487,169,456	$129,285,151	$67,420,556	$428,134,905	$624,840,612	$139,591,484	$71,467,187	$452,645,556	$663,704,227	100.0%
Percent of Total	22.1%	8.0%	69.9%	100.0%	20.7%	10.8%	68.5%	100.0%	21.0%	10.8%	68.2%	100.0%	
Benefits													
Medicaid Services													
Hospital & Clinic Services	$39,732,174	$1,316,969	$89,115,997	$130,165,140	$46,353,619	$2,376,210	$100,643,641	$149,373,470	$49,686,251	$2,376,210	$105,329,630	$157,392,091	23.7%
Hospital Utilization Fee	0	16,688,641	36,341,678	53,030,319	0	20,938,284	45,163,837	66,102,121	0	21,617,910	46,363,178	67,981,088	10.2%
Children's Mental Health	16,706,265	2,410,070	40,313,326	59,429,661	20,107,297	2,432,866	45,524,943	68,065,106	21,370,143	2,485,541	47,259,091	71,114,775	10.7%
Managed Care Services	9,618,471	5,187,530	32,633,643	47,439,644	12,538,540	5,879,662	38,484,746	56,902,948	12,906,263	7,463,386	41,640,676	62,010,325	9.3%
Pharmacy Services	10,756,729	753,823	25,002,069	36,512,621	14,334,018	753,823	32,428,436	47,516,277	16,477,422	753,823	36,632,584	53,863,829	8.1%
Acute Services**	7,635,272	3,165,091	23,673,350	34,473,713	9,400,665	3,175,783	23,699,795	36,276,243	10,712,211	3,181,729	24,727,409	38,621,348	5.8%
Medicare Buy-In	6,437,621	0	14,947,436	21,385,057	7,647,549	0	16,735,636	24,383,185	8,607,181	0	18,346,432	26,953,613	4.1%
Clawback Payment - Part D	11,901,277	0	0	11,901,277	12,755,059	0	0	12,755,059	13,203,704	0	0	13,203,704	2.0%
Cervical and Breast Cancer	592,525	5,171	2,118,015	2,715,711	629,134	5,171	2,150,560	2,784,865	655,384	5,171	2,198,387	2,858,942	0.4%
Indian Health Services	0	0	32,256,582	32,256,582	0	0	34,687,728	34,687,728	0	0	35,791,174	35,791,174	5.4%
School Based Services	0	0	12,851,337	12,851,337	0	0	14,685,739	14,685,739	0	0	15,540,692	15,540,692	2.3%
CHIP	103,996	6,165,247	22,159,869	28,429,112	1,101,943	7,236,903	28,821,788	37,160,634	1,539,502	6,846,127	28,817,695	37,203,324	5.6%
Healthy Montana Kids*	0	0	0	0	0	15,481,329	33,128,011	48,609,340	0	17,648,026	38,370,960	56,018,986	8.4%
Big Sky Rx	0	1,517,040	0	1,517,040	0	4,717,040	0	4,717,040	0	4,717,040	0	4,717,040	0.7%
Dental Benefits	0	495,759	0	495,759	0	495,759	0	495,759	0	495,759	0	495,759	
Pharmassist Program	0	9,455	0	0	0	234,980	0	234,980	0	234,980	0	234,980	0.0%
Total Benefits	$103,484,330	$37,209,582	$331,413,302	$472,602,973	$124,867,824	$63,727,810	$416,154,859	$604,750,493	$135,158,061	$67,825,703	$441,017,908	$644,001,671	97.0%
Percent of Division Total	21.2%	7.6%	68.0%	97.0%	20.0%	10.2%	66.6%	96.8%	20.4%	10.2%	66.4%	97.0%	

*DPHHS may request appropriation authority for Healthy Montana Kids in FY 2009.
**Acute services includes $2.9 million in general fund benefits unrelated to Medicaid

Medicaid Services

The Medicaid services function is 73 percent of the FY 2011 budget request, followed by children's health resources (CHIP and Healthy Montana Kids), and then children's mental health services, which are also largely Medicaid funded. The remaining functions – Big Sky Rx and dental access – are each less than 1 percent of the FY 2011 budget request.

Hospital and Clinic Services

The single largest expenditure made by HRD is for hospital and clinic services, projected to reach $157.4 million in FY 2011, not including supplemental payments funded by the hospital utilization fee, which add another $68.0 million. Examples of clinic services include ambulatory free standing surgical centers, Federally Qualified Health Centers (FQHCs), and rural health clinics.

The utilization fee is an assessment for each day of inpatient hospital care provided by a hospital. The 2008 rate was $47 per day and rises to $50 per day January 1, 2009. The utilization fee expires June 30, 2009. The executive is proposing to continue the fee (LC0042).

Children's mental health services fund Medicaid services for seriously emotionally disturbed (SED) children and limited outpatient services for children who are not SED. There is also a small amount of general fund that supports the match for the federal system of care grant and mental health services children who are not Medicaid eligible.

LFD ISSUE

Some General Fund Costs for Treatment Services Should be Medicaid Funded

The legislature funded a study of mental health services in Montana. The study was managed by the Children, Families, Health, and Human Services Interim Committee. One of the findings of the study published in October 2008, just prior to the session, was that some mental health services for children in foster care that are funded entirely by the general fund could be funded by Medicaid, reducing the general fund outlay for such services by about 70 percent.

Legislative Option

The legislature could request information on what DPHHS has done to implement the study finding, what types of services could be funded by Medicaid instead of general fund, and what the estimated general fund cost savings would be, by year, during the 2011 biennium.

Managed care services are 9 percent of the total benefits budget and include such services as physician, laboratory services, and the disease management contract.

LFD COMMENT

Disease Management

Health plans have instituted disease management for chronic health conditions such as asthma, heart disease, and diabetes to improve health outcomes and prevent the need for more expensive services. The Montana Medicaid program instituted disease management through a contract. The contract is for a fixed amount. Base expenditures were about $727,000 and the budget request bumps the amount to $3.2 million annually.

Acute services include private duty nursing, hearing aides, and most of the therapies (physical, occupational, and speech). Medicare buy in funds Part A and Part B premiums for persons eligible for both Medicare and Medicaid (dual eligibles). Medicare is billed first for services provided to dual eligibles and Medicaid pays the balance of allowable charges.

The clawback payment is made to the federal government and represents the savings to the state Medicaid program due to implementation of Part D for prescription drugs. Previously, Medicaid paid the drug costs for dual eligibles. The clawback is based on the number of dual eligibles and a payment for each. It is funded entirely from the general fund.

Cervical and breast cancer services are provided to persons with incomes under 200 percent of the federal poverty level and who are screened and diagnosed through the Montana breast and cervical cancer program. Medicaid covers the cost of cancer treatment and other basic health services.

Indian Health Services benefits represent federal Medicaid reimbursement for services provided by: 1) Indian Health Services to Medicaid eligible persons; or 2) by tribes that directly administer services that in other instances would be administered by Indian Health Services.

Schools receive federal reimbursement for Medicaid services provided by schools for eligible students. Federal changes eliminated reimbursement for some services limiting growth in that service.

Children's Health Resources

CHIP services are 6 percent of the division budget and grow from base budget expenditures of $28.4 million to $37.2 million in the FY 2011 request. The executive budget request assumes that the federal funding for CHIP will be reauthorized and increased above the current federal grant level.

Healthy Montana Kids is a new program that raised CHIP eligibility from 175 to 250 percent of the federal poverty level, and raised Medicaid eligibility levels for the program to 185 percent of the federal poverty level and prohibited family assets from being considered for eligibility for the Healthy Montana Kids program. It is funded from a portion of insurance premium tax revenues that were previously deposited in the general fund. Federal funds include Medicaid and CHIP matching funds.

Big Sky Rx

Big Sky Rx provides premium payment assistance to Medicare Part D beneficiaries with incomes under 200 percent of the poverty level. The Pharmassist program initiated during FY 2008 funds one on one consultations with pharmacists about prescription drugs that persons are taking. Big Sky Rx and Pharmassist are funded from health and Medicaid initiative state special revenue.

Dental benefits

Dental benefits are funded from tobacco settlement state special revenue and were used to contract with providers for direct access to dental services for low income persons and for specific grants. The 2007 Legislature approved the program. The executive budget includes $300,000 general fund over the biennium to continue and expand the program.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Goals and Objectives:

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the Legislative Fiscal Division recommends that the legislature review the following:

- o Goals, objectives and year-to-date outcomes from the 2009 biennium
- o Goals and objectives and their correlation to the 2011 biennium budget request

Goals Monitored During 2009 Interim

The Legislative Finance Committee reviewed goals:

- o Raise the percentage of children (age 0-20) who receive a well-child screen to 94 percent in FY 08 and 95 percent in FY 09. The baseline measurement is 89 percent in FY 04; 93 percent in FY 05; and 92 percent in FY 2006.
- o 16,000 children will be enrolled in CHIP on a monthly basis by June 2008. 16,000 children will continue to be enrolled on a monthly basis by CHIP in FY 2009. The baseline measurement is 13,289 children enrolled in June 2007; 13,165 children enrolled in June 2006.
- o Increase dental access by 4.7 percent as measured by the number of unique client visits to a dental provider. Target goal is 22,813 people by June 30, 2009. (FY 2006 was 21,893.)
- o Increase the number of clients who receive dental services in a community health center by percent in FY 2008 and an additional 5 percent in FY 2009, from a baseline of 3,900 in FY 2006. Preliminary FY 2007 data is 3,686.

Success

The goal to enroll over 16,000 in CHIP was reached February 2008. Enrollment has continued above 16,000 and was 17,240 as of November 1, 2008.

Challenges

Measurement of the other goals was not completed by the last Legislative Finance Committee meeting because FY 2007 data was not final. However, DPHHS has prepared the state Medicaid report that is distributed pursuant to 53-6-110 and the report is based on FY 2007 data. The legislature could review the final FY 2007 data related to 2009 biennium goals.

Goals Submitted with the Executive Budget

The HRD goals and measures for the 2011 biennium are:

Reduce the number of uninsured Montana children

- o Continuously increase the number of low to moderate income Montana children who are enrolled in the Children's Health Insurance Plan (CHIP)
- o Provide access to Medicaid dental services in private dental offices and community health centers
    - Continuously increase dental access for Medicaid recipients
    - Continuously increase the number of clients who receive dental care at community health centers
- o Increase mental health treatment options for children in a community setting rather than in a facility
    - Continuously decrease the number of children who receive mental health treatment in a residential facility
- o Increase the percentage of children with Medicaid health care coverage who receive well-child screen services
    - Continuously increase the proportion of primary care providers who receive training on using a standardized child health screening tool
    - Continuously increase the proportion of primary care providers who report screening data

LFD ISSUE

2011 Biennium HRD Goals are of Limited Use to Help the Legislature Establish the Division Appropriation

The HRD 2011 biennium budget request is over $900 million. However, the activities being evaluated are less than 10 percent of the total budget. The legislature cannot use the number of well child screens, access to dental care, or enrollment changes for children to help determine the appropriate funding level for the most costly services – hospital care, prescription drugs, and physician services.

LFD ISSUE (CONT.)

Goals Published on the Internet are Superior to Those Included in Budget Request

HRD programs have formulated goals that are far reaching and that guide program policies, actions, and expenditures. The goals are listed on the division website. However, the goals, objectives, and measures submitted as part of the HRD executive budget request are narrower in scope, not measureable, and of limited use in establishing appropriations.

An example of a meaningful goal and objectives that are measurable are those established by the Children's Mental Health Services program and published on the web. Goal 1 is:

- o Transform the children's public mental health system into a recovery-based system of care for children with serious emotional disturbance (SED) and their families.

Some of the specific measures are:

- o The percentage of inpatient hospital psychiatric residential treatment facility placements in out-of-state facilities will be limited to 15 percent of all inpatient psychiatric residential treatment placements for youth with serious emotional disturbance
- o 90 percent of the children with SED and their families who receive community-based mental health services and are surveyed will report their perception that they have been involved in their treatment planning
- o 65 percent of the children with SED and their families who receive services, including targeted case-management services under Medicaid, will report positively about their outcomes

Developing Measures to Quantify the Outcomes of Health Expenditures can be Challenging

It is challenging to develop measures that evaluate the effect of public expenditures for health services for eligible groups of people that sometimes transition in and out of services. The best evaluations of health plan outcomes track the same group of people as well as people in a control group who don't receive the services over a long period of time, and incorporate data that can be time and labor intensive to accumulate and interpret. However, there are other ways than a statistically valid study to help program administrators and legislators determine whether health services are having a desired or positive outcome.

The legislature could ask HRD how it evaluates or would evaluate outcomes of some health services. For instance, HRD collected data about the Nurse First program a number of years ago to determine whether the advice provided to callers helped reduce emergency room visits.

Medicaid Disease Management

Montana Medicaid contracts with McKesson Health Solutions to provide disease management services to people with heart failure, asthma, diabetes, and chronic pain. Services are provided telephonically and in person by community based registered nurses. Elements of contract performance could also be applicable to developing goals, objectives, and measures that would provide data for the legislature to use in establishing appropriations.

Measures are not Specific nor Time Bound

The HRD measures are not specific nor time bound. It is not possible to tell if progress is being made toward the goal. The measure for many of the objectives are to "continuously" do something.

- o Is the criteria to continuously increase the number of low to moderate income children met if 10 children per month are enrolled in CHIP?
- o Will the program be meeting legislative goals if it pays for "continuous increases" in enrollment by limiting services or by paying CHIP benefits entirely from state funds?
- o If the goal is to reduce the number of uninsured children, should HRD undertake outreach activities to children to enroll eligible children in Medicaid?
- o Will HRD have met the goal if it continuously enrolls children in CHIP and Medicaid, yet the number of uninsured children remains stable or rises?

LFD ISSUE (CONT.)

Legislative Options for all Issues Related to HRD Goals and Measures
The legislature could ask HRD to establish criteria to measure whether activities are "continuously" being done and time periods for certain steps to be accomplished for the goals it submitted with the executive budget.

The legislature could also request that HRD provide some criteria it uses to assess whether expenditures are reasonable and the most effective treatment is being provided.

If HRD does not evaluate Medicaid program outcomes other than the ones submitted with the executive budget, the legislature could ask that an interim legislative committee work with HRD to determine goals, objectives, and outcome measures that would provide information valuable to HRD and that the legislature could use to help establish appropriation levels.

Funding

HRD is funded from general fund, state special revenue, and federal funds. The two most significant sources of funding are federal Medicaid matching funds, which support 63 percent of the FY 2011 budget request, and general fund, which supports 21 percent. The other major funding sources are:

- o CHIP federal matching funds – 6 percent
- o Hospital utilization state special revenue, Healthy Montana Kids state special revenue, and health and Medicaid initiatives state special revenue – each 3 percent

Program Funding Table
Health Resources Division

Program Funding		Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000	Total General Fund	$ 107,427,618	22.1%	$ 129,285,151	20.7%	$ 139,591,484	21.0%
	01100 General Fund	107,427,618	22.1%	129,285,151	20.7%	139,591,484	21.0%
02000	Total State Special Funds	39,209,729	8.0%	67,420,556	10.8%	71,467,187	10.8%
	02053 Medicaid Nursing Home Match	84,889	0.0%	95,581	0.0%	101,527	0.0%
	02142 Medicaid Third Party Revenue	1,237,822	0.3%	1,237,822	0.2%	1,237,822	0.2%
	02311 6901-02 Indrct Activty Prog 11	21,496	0.0%	25,353	0.0%	25,393	0.0%
	02514 Comm Hlth Care Ssr	-	-	-	-	-	-
	02597 Montana Healthy Kids Initiative	-	-	18,524,271	3.0%	21,964,974	3.3%
	02766 End Stage Renal Checkoff - Sb 85	9,994	0.0%	9,994	0.0%	9,994	0.0%
	02772 Tobacco Hlth & Medicd Initiative	12,659,555	2.6%	18,782,305	3.0%	18,651,513	2.8%
	02785 6901-Senior Prescription Drugs	-	-	-	-	-	-
	02789 6901-Chip/Mcha Tobacco Sett Fd	5,713,440	1.2%	4,953,813	0.8%	5,004,921	0.8%
	02987 Tobacco Interest	2,793,892	0.6%	2,853,133	0.5%	2,853,133	0.4%
	02989 69010-Hospital Utilization Fee	16,688,641	3.4%	20,938,284	3.4%	21,617,910	3.3%
03000	Total Federal Special Funds	340,532,109	69.9%	428,134,905	68.5%	452,645,556	68.2%
	03237 Alternative To Psych Treatment Fac	67,690	0.0%	67,684	0.0%	67,682	0.0%
	03426 Chip Program Fed	23,816,795	4.9%	33,162,617	5.3%	36,740,617	5.5%
	03580 6901-93.778 - Med Adm 50%	6,434,182	1.3%	8,705,096	1.4%	8,720,263	1.3%
	03582 93.778 - Med Ben 100%	32,256,582	6.6%	34,687,728	5.6%	35,791,174	5.4%
	03583 93.778 - Med Ben Fmap	276,996,836	56.9%	350,169,659	56.0%	370,308,523	55.8%
	03598 03 Indirect Activity Prog 09	-	-	325,410	0.1%	-	-
	03611 6901-03 Indrct Activty Prog 11	296,380	0.1%	353,135	0.1%	353,727	0.1%
	03794 Samsha Grant	663,644	0.1%	663,576	0.1%	663,570	0.1%
Grand	Total	$ 487,169,456	100.0%	$ 624,840,612	100.0%	$ 663,704,227	100.0%

General fund declines from 22 percent of program funding to 21 percent in FY 2011, and state revenue increases from 8 percent to 11 percent over the same time period largely due to the request for the Healthy Montana Kids program funded from state special revenue and federal matching funds. Federal funds decline from 70 percent of base budget costs to 68 percent of the FY 2011 request partially due to the reduction in the federal match rate for Medicaid services.

Most all state funds provide matching funds for federal Medicaid and CHIP funds to provide direct services. The total state match for Medicaid services costs is $268.0 million general fund and $53.8 million state special revenue in the FY

2011 executive budget request.

State special revenue sources and the functions funded are:
- Medicaid nursing home match – county funds to match additional federal dollars for ambulance services
- Medicaid third party revenue – collections from other payors such as insurance companies, used as state Medicaid match
- Indirect cost recovery – allocations of overhead administrative costs paid from other state special revenue sources to fund program administration
- Montana Healthy Kids – reallocation of a portion of insurance premium taxes from the general fund to support expansion of Medicaid and CHIP for children, enacted through citizen initiative November 2008 (I-155)
- End stage renal checkoff – income tax check off revenue to fund end state renal disease treatment
- Tobacco and health initiative (health and Medicaid initiatives) – tobacco tax revenues that:
    - Fund premium assistance for Medicare Part D prescription drug plans for seniors with incomes below 200 percent of the federal poverty level
    - Fund consultation for any Montanan with pharmacists about medications
    - Pay a portion of state match for CHIP
    - Pay a portion of state Medicaid match for eligibility expansions and provider rate increases
- Senior prescription drugs – a legislative appropriation for rebate payments from pharmacies to provide assistance for purchasing medications, but the program was not initiated
- CHIP/MCHA tobacco settlement fund – tobacco settlement revenues allocated to fund CHIP and a Program administered by the State Auditor - the Montana Comprehensive Health Association (high risk insurance pool for persons who are unable to obtain private health insurance)
- Hospital utilization fee – an assessment for each inpatient day of care provided by hospitals ($48 per day in 2008, rising to $50 per day January 1, 2009) used as state match to fund supplemental payments to hospitals

There are eight federal funding sources that support HRD. Taken together the federal Medicaid funds are the most significant funding source providing over $800 million of the 2011 biennium budget request. Federal grant funds that support CHIP are about 6 percent of biennial funds. Other federal sources are:
- Alternative to psychiatric treatment – federal grant funds for a Medicaid waiver to pay for community services usually not funded by Medicaid for children at risk of placement in residential psychiatric care
- Indirect activity Prog 9 – federal funds to pay for eligibility and payment systems changes for Healthy Montana Kids
- Indirect activity Prog 11 - allocations of overhead administrative costs paid from other federal revenue sources to fund program administration.

Budget Summary by Category
The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	107,427,618	107,427,618	214,855,236	79.91%	487,169,456	487,169,456	974,338,912	75.62%
Statewide PL Adjustments	290,598	296,571	587,169	0.22%	1,019,393	1,041,360	2,060,753	0.16%
Other PL Adjustments	20,581,632	30,164,230	50,745,862	18.87%	133,977,674	170,870,390	304,848,064	23.66%
New Proposals	985,303	1,703,065	2,688,368	1.00%	2,674,089	4,623,021	7,297,110	0.57%
Total Budget	**$129,285,151**	**$139,591,484**	**$268,876,635**		**$624,840,612**	**$663,704,227**	**$1,288,544,839**	

The base budget for HRD is 76 percent of the total request for the 2011 biennium - $487.2 million, including $107.4 million general fund. Statewide present law adjustments add $2.1 million over the biennium, including $0.6 million general fund.

Present law adjustments add $304.8 million, including $50.7 million general fund. Adjustments over $10.0 million include:

- o A request for funding Healthy Montana Kids - $114.6 million
- o Medicaid caseload adjustments - $39.6 million, including $13.0 million general fund
- o Continuation of the hospital utilization fee - $28.0 million total funds, $9.2 million in fee income
- o CHIP enrollment and operating cost increases - $21.5 million, including $2.2 million general fund

New proposals are a small amount of the requested increase, adding $7.3 million, including $2.7 million general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010					Fiscal 2011				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,196,531					1,214,360
Vacancy Savings					(205,128)					(205,850)
Inflation/Deflation					6,406					8,177
Fixed Costs					21,584					24,673
Total Statewide Present Law Adjustments					**$1,019,393**					**$1,041,360**
DP 11001 - Medicaid Physical Svc Caseload	0.00	11,319,776	762,065	26,916,020	38,997,861	0.00	16,691,141	2,351,735	41,404,668	60,447,544
DP 11002 - Medicaid FMAP	0.00	3,997,007	0	(3,997,007)	0	0.00	5,668,701	0	(5,668,701)	0
DP 11003 - Medicare Buy - In Caseload	0.00	939,691	0	1,950,776	2,890,467	0.00	1,754,193	0	3,566,379	5,320,572
DP 11004 - Medicaid Breast & Cervical Cancer	0.00	15,698	0	53,456	69,154	0.00	32,986	0	110,245	143,231
DP 11005 - Clawback Base Adjustment	0.00	853,782	0	0	853,782	0.00	1,302,427	0	0	1,302,427
DP 11006 - Medicaid Caseload - Children's Mental Health	0.00	2,304,067	22,796	4,830,513	7,157,376	0.00	3,123,441	75,471	6,503,580	9,702,492
DP 11007 - Indian Health Services Caseload	0.00	0	0	2,431,146	2,431,146	0.00	0	0	3,534,592	3,534,592
DP 11008 - CHIP Caseload	0.00	887,370	1,143,839	6,916,849	8,948,058	0.00	1,274,391	1,605,996	9,626,720	12,507,107
DP 11009 - CHIP SSR Fund Adjustment	0.00	0	0	0	0	0.00	0	0	0	0
DP 11010 - Medicaid Organ Transplants	0.00	0	1,000,000	2,075,977	3,075,977	0.00	0	1,000,000	2,033,060	3,033,060
DP 11011 - Healthy Montana Kids Plan	60.00	0	17,393,802	35,178,639	52,572,441	60.00	0	18,598,969	37,420,017	56,018,986
DP 11034 - Big Sky Rx Base Adjustment - Biennial	0.00	0	3,200,000	0	3,200,000	0.00	0	3,200,000	0	3,200,000
DP 11035 - Pharmassist Program	0.00	0	234,980	0	234,980	0.00	0	234,980	0	234,980
DP 11039 - Hospital Utilization Fee	0.00	0	4,249,643	8,822,159	13,071,802	0.00	0	4,929,269	10,021,500	14,950,769
DP 11041 - CHIP - FMAP Rate Increase	0.00	109,939	125,343	(235,282)	0	0.00	160,464	175,639	(336,103)	0
DP 11042 - PRTF Reimbursement To Include State Plan Services	0.00	154,302	0	320,328	474,630	0.00	156,486	0	318,144	474,630
Total Other Present Law Adjustments	**60.00**	**$20,581,632**	**$28,132,468**	**$85,263,574**	**$133,977,674**	**60.00**	**$30,164,230**	**$32,172,059**	**$108,534,101**	**$170,870,390**
Grand Total All Present Law Adjustments					**$134,997,067**					**$171,911,750**

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- **Market Rate** – HRD expects employee pay to be at 90 percent of the 2008 market survey, slightly below the 100 percent agency goal. Current HRD employee pay levels are 101 percent of the June 2006 market survey
- **Vacancy** - HRD does not have specific occupations with higher turnover rates. Position vacancies are mainly due to competing factors in the work arena. Division pay is not always competitive once an employee has several years of experience. Employees are generally lost due to promotion, career advancements, or higher salaries
- **Legislatively Applied Vacancy Savings** - HRD experienced longer hiring times since many positions were re-advertised to gain qualified applicants, thus creating sufficient vacancy savings.
- **Pay Changes** - HRD completed union negotiations to change to pay plan 20 in late FY 2008. The approved contract lessened internal pay inequities by stipulating that all employees be paid at least 87 percent of market. This change was funded by vacancies within the division
- **Retirements** - 45 employees (62 percent of base year program workforce) will be eligible for retirement. Based on current trends and projections it is estimated that four employees will retire with an anticipated compensated absence liability of $16,296

New Proposals

New Proposals

	Fiscal 2010					Fiscal 2011				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 11016 - Dental Expansion										
11	0.00	100,000	0	0	100,000	0.00	200,000	0	0	200,000
DP 11029 - Federal Mandate to TGF and TFC										
11	0.00	166,189	0	345,003	511,192	0.00	168,540	0	342,652	511,192
DP 11033 - Provider Rate Increase - CHIP										
11	0.00	0	3,772	12,844	16,616	0.00	0	7,749	25,896	33,645
DP 11036 - Medicaid Grant										
11	2.00	118,060	0	118,059	236,119	2.00	128,137	0	128,137	256,274
DP 11043 - Medicaid for Workers with Disabilities										
11	2.00	70,937	0	108,596	179,533	2.00	117,710	0	202,174	319,884
DP 11044 - Provider Rate Increase - Medicaid										
11	0.00	530,117	0	1,100,512	1,630,629	0.00	1,088,678	0	2,213,348	3,302,026
Total	**4.00**	**$985,303**	**$3,772**	**$1,685,014**	**$2,674,089**	**4.00**	**$1,703,065**	**$7,749**	**$2,912,207**	**$4,623,021**

Language and Statutory Authority

DP11043 – Medicaid for Workers with Disabilities is contingent on the passage of legislation, LC0349.

DP11039 – Hospital Utilization Fee is contingent on the passage of legislation, LC0042.

Sub-Program Details

MEDICAID 01

Sub-Program Proposed Budget
The following table summarizes the proposed executive budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011	Total Exec. Budget Fiscal 10-11
FTE	43.60	0.00	2.00	45.60	0.00	2.00	45.60	45.60
Personal Services	2,037,189	608,814	71,872	2,717,875	616,720	71,900	2,725,809	5,443,684
Operating Expenses	6,089,412	15,730	0	6,105,142	18,931	0	6,108,343	12,213,485
Benefits & Claims	382,731,401	61,390,189	1,346,044	445,467,634	88,732,195	2,753,211	474,216,807	919,684,441
Total Costs	**$390,858,002**	**$62,014,733**	**$1,417,916**	**$454,290,651**	**$89,367,846**	**$2,825,111**	**$483,050,959**	**$937,341,610**
General Fund	89,498,201	16,748,194	541,025	106,787,420	24,805,613	1,077,743	115,381,557	222,168,977
State/Other Special	27,138,721	6,015,565	0	33,154,286	8,284,901	0	35,423,622	68,577,908
Federal Special	274,221,080	39,250,974	876,891	314,348,945	56,277,332	1,747,368	332,245,780	646,594,725
Total Funds	**$390,858,002**	**$62,014,733**	**$1,417,916**	**$454,290,651**	**$89,367,846**	**$2,825,111**	**$483,050,959**	**$937,341,610**

Sub-Program Description
The Medicaid Services sub-program 2011 biennium is nearly $1.0 billion, with 98 percent of the total supporting services and benefits for individuals. General fund is 24 percent of 2011 biennium funding, while federal funds are 69 percent of the total. These services are generally referred to as state plan services and include inpatient and outpatient hospital, physician, pharmacy, and therapy services.

Present law adjustments add $151.4 million while new proposals add $4.2 million. Expansion of Medicaid funding to cover certain transplants for adults is included in the executive budget as a present law adjustment. If it were correctly recorded as a new proposal, it would raise new proposal costs another $6.1 million and reduce present law adjustments. New proposals fund a 1 percent annual provider rate increase (implemented October 1 of each fiscal year), dental services expansion, and extension of Medicaid benefits to disabled workers to allow them to earn more and retain Medicaid services. Figure 39 shows each adjustment by major service category for the 2011 biennium.

Figure 39
2011 Biennium Executive Budget Request - HRD Medicaid Services

	FY 2010 Budget Request				FY 2011 Budget Request			
Medicaid Services and Proposed Changes	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total
Hospital and Clinical Services	$39,732,174	$1,316,969	$89,115,997	$130,165,140	$39,732,174	$1,316,969	$89,115,997	$130,165,140
Hospital Bed Tax Base Expenditures	0	16,688,641	36,341,678	53,030,319	0	16,688,641	36,341,678	53,030,319
DP 11039 - Hospital Utilization Fee	0	4,249,643	8,822,159	13,071,802	0	4,929,269	10,021,500	14,950,769
DP 11001 - Medicaid Physical Svc Caseloac	5,061,329	59,241	10,630,184	15,750,754	7,662,980	59,241	15,699,740	23,421,961
DP 11002 - Medicaid FMAP	1,436,058	0	(1,436,058)	0	2,036,592	0	(2,036,592)	0
DP 11010 - Medicaid Organ Transplants	0	1,000,000	2,075,977	3,075,977	0	1,000,000	2,033,060	3,033,060
DP 11044 - Provider Rate Increase - Medic.	124,058	0	257,541	381,599	254,505	0	517,425	771,930
Subtotal Hospital Services	46,353,619	23,314,494	145,807,478	215,475,591	49,686,251	23,994,120	151,692,808	225,373,179
Managed Care Services Base Expenditures	9,618,471	5,187,530	32,633,643	47,439,644	9,618,471	5,187,530	32,633,643	47,439,644
PL 11001 Medicaid Caseload	2,242,870	0	4,656,146	6,899,016	2,237,202	0	4,548,367	6,785,569
Montana Healthy Kids Part of Caseload	0	692,132	1,436,850	2,128,982	0	2,275,856	4,626,952	6,902,808
DP 11002 - Medicaid FMAP	535,681	0	(535,681)	0	759,694	0	(759,694)	0
DP 11044 - Provider Rate Increase - Medic.	141,518	0	293,788	435,306	290,896	0	591,409	882,305
Subtotal Managed Care Services	12,538,540	5,879,662	38,484,746	56,902,948	12,906,263	7,463,386	41,640,676	62,010,325
Pharmacy Services	10,756,729	753,823	25,002,069	36,512,621	10,756,729	753,823	25,002,069	36,512,621
DP 11001 - Medicaid Physical Svc Caseloac	3,176,395	0	7,827,261	11,003,656	5,151,841	0	12,199,367	17,351,208
LFD Allocation of FMAP Change	400,894	0	(400,894)	0	568,852	0	(568,852)	0
Subtotal Pharmacy Services	14,334,018	753,823	32,428,436	47,516,277	16,477,422	753,823	36,632,584	53,863,829
Acute Services Base Expenditures*	4,703,551	3,165,091	23,673,350	31,541,992	4,703,551	3,165,091	23,673,350	31,541,992
DP 11001 - Medicaid Physical Svc Caseloac	438,288	10,692	932,072	1,381,052	1,070,266	16,638	2,209,740	3,296,644
DP 11002 - Medicaid FMAP	1,122,593	0	(1,122,593)	0	1,592,041	0	(1,592,041)	0
DP 11016 - Dental Expansion	100,000	0	0	100,000	200,000	0	0	200,000
DP 11044 - Provider Rate Increase - Medic.	104,512	0	216,966	321,478	214,632	0	436,360	650,992
Subtotal Acute Services	6,468,944	3,175,783	23,699,795	33,344,522	7,780,490	3,181,729	24,727,409	35,689,628
Medicare Buy-In	6,437,621	0	14,947,436	21,385,057	6,437,621	0	14,947,436	21,385,057
DP 11003 - Medicare Buy - In Caseload	939,691	0	1,950,776	2,890,467	1,754,193	0	3,566,379	5,320,572
DP 11043 - Medicaid for Workers with Disa	35,001	0	72,660	107,661	81,760	0	166,224	247,984
DP 11002 - Medicaid FMAP	235,236	0	(235,236)	0	333,607	0	(333,607)	0
Subtotal Medicare Buy-In	7,647,549	0	16,735,636	24,383,185	8,607,181	0	18,346,432	26,953,613
Clawback - Phased Down State Contribution	11,901,277	0	0	11,901,277	11,901,277	0	0	11,901,277
DP 11005 - Clawback Base Adjustment	723,111	0	0	723,111	1,117,010	0	0	1,117,010
LFD Estimate of FMAP Adjustment	130,671	0	0	130,671	185,417	0	0	185,417
Subtotal Clawback	12,755,059	0	0	12,755,059	13,203,704	0	0	13,203,704
Indian Health Services	0	0	34,687,728	34,687,728	0	0	35,791,174	35,791,174
School Based Services	0	0	14,685,739	14,685,739	0	0	15,540,692	15,540,692
Breast and Cervical Cancer	629,134	5,171	2,150,560	2,784,865	655,384	5,171	2,198,387	2,858,942
Total by Component								
Base**/Some Caseload Increases**	71,877,680	10,428,584	236,896,522	319,202,786	71,903,930	10,428,584	238,902,748	321,235,261
Hospital Utilization Fee	0	20,938,284	45,163,837	66,102,121	0	21,617,910	46,363,178	67,981,088
Caseload/Service Utilization Growth	11,858,573	69,933	25,996,438	37,924,944	17,876,482	75,879	38,223,594	56,175,955
Phased Down Contribution - Clawback	12,624,388	0	0	12,624,388	13,018,287	0	0	13,018,287
Montana Healthy Kids	0	692,132	1,436,850	2,128,982	0	2,275,856	4,626,952	6,902,808
Expansions/Access	135,001	1,000,000	2,148,637	3,283,638	281,760	1,000,000	2,199,284	3,481,044
Provider Rate Increases	370,088	0	768,295	1,138,383	760,033	0	1,545,194	2,305,227
FMAP Federal Match Rate Reduction	3,861,133	0	(3,730,462)	130,671	5,476,203	0	(5,290,786)	185,417
Grand Total* **	$100,726,863	$33,128,933	$308,680,118	$442,535,913	$109,316,695	$35,398,229	$326,570,163	$471,285,086
Percent of Total	22.8%	7.5%	69.8%	100.0%	23.2%	7.5%	69.3%	100.0%

*Acute services base expenditures do not include $2.9 million of general fund benefits.
**Base expenditures do not include the clawback nor the hospital utilization fee expenditures.
***Someof the adjustments (DPs) included in this table also fund operating costs and so the combined amount for each DP may not equal the amount listed in present law tables or the narrative descriptions.

Base budget expenditures are 70 percent of the total 2011 biennium request. The hospital utilization fee is 15 percent. The fee provides supplemental payments to hospitals to pay the cost of uncompensated Medicaid services. The fee expires June 30, 2009. The executive budget includes the revenue and federal matching funds as present law expenditures and the executive supports LC0042 to repeal the sunset of the tax. The base budget would be 85 percent of the total state plan services if hospital utilization fees are considered part of the base budget.

Caseload, service utilization, and inflation increases in the price of some services, such as prescription drugs, are $94.0 million of the total. The clawback (reimbursement to the federal government for prescription drug savings to Medicaid when the new Medicare Part D benefit was introduced) is 3 percent of the total. However, since the clawback is 100 percent general fund, it is 2 percent of the total biennial budget request.

The Medicaid base budget is 69 percent of the total general fund ($149.6 million) and the general fund requested to offset a reduction in the federal match rate is 4 percent ($9.3 million). New proposals add $1.5 million general fund and $2.0 million health and Medicaid initiatives state special revenue.

The Healthy Montana Kids (HMK) program adds $9.5 million. The majority of the cost for HMK is in the CHIP sub-program budget request. I-155 is discussed in more detail in the agency overview.

LFD ISSUE

FY 2006 – FY 2008 Medicaid Data will not Predict Effect of Economic Downturn

Medicaid cost growth slowed during FY 2007 and FY 2008. DPHHS reverted $23.9 million in general fund in FY 2008, largely from unspent Medicaid service appropriations.

Some Medicaid services experienced reductions and very small changes between FY 2007 that seem unlikely to continue. However, the cost data does not indicate that cost trends will change significantly even though Medicaid enrollment has begun to increase.

Some of the services that grew very little are pharmacy costs and children's mental health services.

LFD ISSUE

Funding Switch Increases Base General Fund Costs

The executive budget reduces health and Medicaid initiatives state special revenue account funds in the CHIP program and shifts nearly $2.0 million to the general fund. The freed up state special revenue supports expansion of Medicaid to fund certain transplants for adults. This issue is discussed in greater detail in the narrative describing the adjustment to add transplants for adults.

Legislative Option
The legislature could consider reallocating the state special revenue to CHIP and moving the general fund to the Medicaid expansion.

LFD COMMENT

The vast majority of funding for Medicaid state plan services is in present law costs. The legislature would need to consider changing base level services if it wanted to noticeably influence Medicaid costs.

Budget Summary By Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	89,498,201	89,498,201	178,996,402	80.57%	390,858,002	390,858,002	781,716,004	83.40%
Statewide PL Adjustments	268,768	273,059	541,827	0.24%	624,544	635,651	1,260,195	0.13%
Other PL Adjustments	16,479,426	24,532,554	41,011,980	18.46%	61,390,189	88,732,195	150,122,384	16.02%
New Proposals	541,025	1,077,743	1,618,768	0.73%	1,417,916	2,825,111	4,243,027	0.45%
Total Budget	**$106,787,420**	**$115,381,557**	**$222,168,977**		**$454,290,651**	**$483,050,959**	**$937,341,610**	

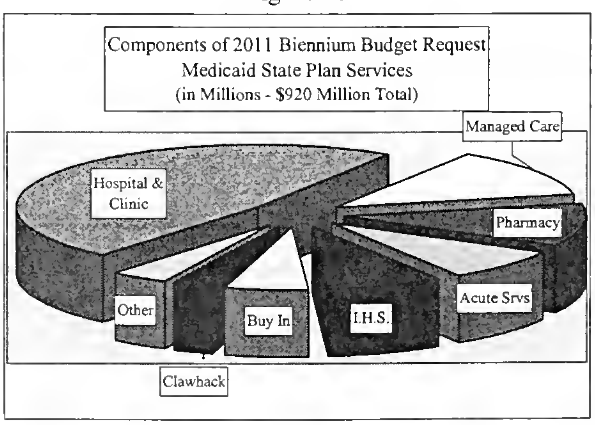
Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010					Fiscal 2011				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					719,061					727,303
Vacancy Savings					(110,247)					(110,583)
Inflation/Deflation					3,768					5,260
Fixed Costs					11,962					13,671
Total Statewide Present Law Adjustments					**$624,544**					**$635,651**
DP 11001 - Medicaid Physical Svc Caseload	0.00	11,319,776	762,065	26,916,020	38,997,861	0.00	16,691,141	2,351,735	41,404,668	60,447,544
DP 11002 - Medicaid FMAP	0.00	3,350,479	0	(3,350,479)	0	0.00	4,751,807	0	(4,751,807)	0
DP 11003 - Medicare Buy - In Caseload	0.00	939,691	0	1,950,776	2,890,467	0.00	1,754,193	0	3,566,379	5,320,572
DP 11004 - Medicaid Breast & Cervical Cancer	0.00	15,698	0	53,456	69,154	0.00	32,986	0	110,245	143,231
DP 11005 - Clawback Base Adjustment	0.00	853,782	0	0	853,782	0.00	1,302,427	0	0	1,302,427
DP 11007 - Indian Health Services Caseload	0.00	0	0	2,431,146	2,431,146	0.00	0	0	3,534,592	3,534,592
DP 11010 - Medicaid Organ Transplants	0.00	0	1,000,000	2,075,977	3,075,977	0.00	0	1,000,000	2,033,060	3,033,060
DP 11039 - Hospital Utilization Fee	0.00	0	4,249,643	8,822,159	13,071,802	0.00	0	4,929,269	10,021,500	14,950,769
Total Other Present Law Adjustments	**0.00**	**$16,479,426**	**$6,011,708**	**$38,899,055**	**$61,390,189**	**0.00**	**$24,532,554**	**$8,281,004**	**$55,918,637**	**$88,732,195**
Grand Total All Present Law Adjustments					**$62,014,733**					**$89,367,846**

DP 11001 - Medicaid Physical Svc Caseload - This request adds $99.4 million in total funds, including $28.0 million in general fund, $3.1 million in state special revenue, and $68.3 million in federal funds for estimated changes in state plan Medicaid costs. Figure 40 shows how this request is allocated among Medicaid expenditures.

Figure 40



LFD COMMENT

Caseload Projections may not Capture Effect of Economic Downturn

The LFD issue discussed the difficulty in estimating Medicaid costs in the agency overview.

DP 11002 - Medicaid FMAP - The executive budget adds $9.7 million general fund and reduces federal funds by the same amount to adjust for the increased state Medicaid match rate.

DP 11003 - Medicare Buy - In Caseload - This request adds $8.2 million over the biennium with $2.6 million general fund and $5.6 million federal funds for expected increases in premiums for Medicare Part A and Part B. The department pays Medicare Part A and B premiums for persons who are eligible for both Medicaid and Medicare. Medicare then covers the cost of most services and Medicaid becomes a secondary payer, liable only for the costs of non-Medicare covered services and for co-insurance and deductibles related to services utilized. The premiums have grown an average 9.93 percent per year. Base level expenditures were $21.4 million.

DP 11007 - Indian Health Services Caseload - This request adds $6.0 million federal funds for the biennium for Medicaid reimbursements to Indian Health Services (I.H.S.) providers for services furnished to Medicaid eligible persons. Base level expenditures were $32.3 million.

LFD COMMENT

DPHHS has made a concerted effort to identify all Medicaid eligible persons who are also I.H.S. recipients and to bill appropriately for services. Legislative policy supported and encouraged this goal, including approving funds for an FTE to specifically expand federal Medicaid funding for I.H.S. The FTE was added by legislative initiative.

DP 11010 - Medicaid Organ Transplants - This requests adds $6.0 over the biennium ($2.0 million health and Medicaid initiatives state special revenue and $4.1 federal funds) to extend non-experimental transplant (heart, lung and liver) benefits to adults provided there is a medical necessity. Currently, Medicaid covers all organ transplants for children. Adults are eligible for cornea, kidney and bone marrow transplants. Previously, adults were excluded from coverage for heart, lung and liver, because these procedures were considered experimental, and this exclusion was implemented as a cost control measure. Today these procedures are no longer considered experimental.

LFD ISSUE

Benefit Change is not Present Law

This request is included in the executive budget as a present law adjustment to Medicaid services. Present law adjustments are those changes necessary to continue the level of services authorized by the last legislature. If these adult transplants had been procedures being funded, there would be no need to ask for appropriation to implement the change. Additionally, the source of state match – health and Medicaid initiative state special revenue - can be used for new Medicaid services and Medicaid provider rates. The funds cannot supplant the general fund in the trended traditional level of appropriation for Medicaid services and Medicaid provider rates. If this is a new service, it is a new proposal and eligible for health and Medicaid initiative funding. If this proposal is not a new service, but a true present law adjustment within "the trended traditional level of appropriation for Medicaid services" it cannot be funded with health and Medicaid initiative revenue. Given the funding source and request to add funds for the service, this request is a new proposal. The executive budget overstates present law by $6.0 million.

Legislative Option
The legislature could consider reporting this appropriation as a new proposal if it approves the request. The legislature could also restrict the appropriation so it could not be used for other services.

LFD ISSUE

Expansion has Higher Priority Over General Fund Supported Services in Event of General Fund Shortfall

The executive request funds for this Medicaid expansion from state special revenue. The state special revenue is available partly as a result of funding shifts in the CHIP program, where costs are shifted to the general fund instead of being paid by state special revenue sources allocated to CHIP. Undoubtedly funding an expansion from state special revenue can be less controversial than funding it from the general fund.

If the legislature accepts the executive recommendation and Medicaid services need to be reduced in order to mitigate a supplemental appropriation or to reduce general fund spending statewide, this expansion would be exempt from either of those actions. Funding this expansion from health and Medicaid initiatives revenue also would limit the ability of the department to move funds for this expansion to offset general fund costs, since health and Medicaid initiative state special revenue may be used only for certain uses (see agency overview for fund balance and discussion of account).

These are service and funding choices that may face DPHHS this biennium, due to the recession.

1. DPHHS may set priorities to reduce the amount, scope, or duration of the Medicaid services if available funds are not sufficient to provide medical assistance for all eligible persons (53-6-101(12), MCA. Historically, when Medicaid costs exceed appropriations, the department has reduced general funded new proposals, with the reasoning being that preservation of ongoing services is more than important implementation of new or additional funding.

2. Like the national economy, the Montana economy is slowing. If economic declines cause Medicaid costs to increase beyond appropriated levels and general fund revenues are lower than estimated, there could be the "perfect storm" for Medicaid cost increases without excess general fund to support higher expenditures.

Statute requires agencies to take actions to reduce expenditures if costs exceed appropriations. It also requires the budget director to reduce agency spending by no more than 10 percent of the general fund in HB 2 in an amount that ensures that the projected ending general fund balance for the biennium will be at least 1 percent of all general fund appropriations during the biennium.

Legislative Option
If the legislature approves this expansion, it may want to fund the increase from the general fund. If DPHHS needs to make reductions in general fund spending, it would have the option to delay implementation of the expansion prior to making reductions in long standing Medicaid services or other general fund programs in DPHHS.

LFD COMMENT

Federal Medicaid Regulation Establishes Unique Benefit Entitlement for Children

The executive budget presents coverage of transplants for adults as an issue of equity with services provided to children. However, a federal requirement unique to children – Early Periodic Screening, Diagnosis and Treatment (EPSDT) – requires a state to fund any federally allowable Medicaid service for a child if the service is needed to treat a diagnosed illness or condition. The service must be provided even if a state plan does not include the specific service and the service is federally allowed. The federal Medicaid program establishes an "entitlement" within Medicaid that favors children, foregoing equitable treatment with adults.

<u>DP 11039 - Hospital Utilization Fee -</u> The executive budget includes a request for \$9.2 million state special revenue and \$28.0 million federal Medicaid fund for an increase in supplemental payments to hospitals. The state match is funded by a fee imposed on each day of inpatient hospital care. The fee in calendar year 2008 was \$43 per inpatient day, rising to \$48 per day for calendar year 2009. Total supplemental payments in FY 2008 were \$53.0 million.

The utilization fee expires June 30, 2009. The executive is proposing legislation to continue the fee. The Interim Committee on Children and Families recommended adoption of a bill to continue and make permanent the tax.

The Montana Medicaid program has historically reimbursed the hospitals in the State of Montana at a rate less then the cost of providing these hospital services to the Medicaid clients. Federal regulations require hospitals to provide services to all citizens without regard to ability to pay and require the hospitals to have a methodology in place to provide charity care to patients who do not have the ability to pay for the hospital services.

The estimate of unreimbursed Medicaid costs for all Montana hospitals in FY 2010 is $50.7 million, and in FY 2011 is $56.1 million. The hospital utilization fee collected from the hospitals is matched on an approximately 2 to 1 basis with federal funds and would be distributed to the hospitals to bring the Medicaid reimbursements closer to 100 percent of cost.

LFD COMMENT

The executive budget is based on an estimate of 449,219 days each year of the 2011 biennium at a daily rate of $48 during FY 2010 and $50 during FY 2011. The hospital utilization fee is used as state match for two reimbursements:

- A portion of the standard Montana state payment to hospitals for Medicaid services
- Special federal funding to hospitals that treat significant populations of indigent patients - Disproportionate Share Hospital (DSH) reimbursement

Recent Montana DSH payments have been about $16 million annually. DSH payments are made to compensate hospitals that serve a disproportionate share of lower income persons as reflected by a higher reliance on Medicare and Medicaid payments. The primary method to calculate a DSH payment is based on a complex statutory formula that considers services provided to certain persons who are both Medicare and Medicaid eligible. The secondary method to determine DSH payments is for urban hospitals with more than 100 hospital beds that can demonstrate that more than 30 percent of total net inpatient care revenues, other than Medicare or Medicaid, come from state and local government sources for indigent care, such as for medically indigent adults.

LFD ISSUE

Impact if Fee is not Reauthorized

In 2011, HRD projects that Medicaid reimbursement without the utilization fee would fall to 66 percent of the cost of providing hospital services. If the fee is not reauthorized and no additional state matching funds were appropriated to offset the loss of state match, it is likely that the state would be required to raise reimbursement rates if providers filed a lawsuit.

The executive budget establishes the hospital utilization fee will at $50 per day (the rate that is effective January 1, 2009) without any change. However, HRD also anticipates that the allowable upper payment limit for Medicaid hospital services will increase about 10 percent a year.

The executive budget includes a statement that if the hospital utilization fee is not continued, general fund would need to be appropriated instead. LFD staff has asked for clarification on this statement.

LFD ISSUE (CONT.)

Legislative Options

The legislature may wish to ask HRD staff the estimated percent of cost that would be covered each year of the 2011 biennium if the hospital fee remains at $50 per day. The legislature may also wish to ask HRD staff the levels that reimbursement should not fall below. Depending on the answers to these questions, legislators can evaluate whether to:

- Reauthorize the fee, and if so at what level, including any potential future changes
- Do not reauthorize the fee and evaluate whether to appropriate other state matching funds for payments to hospitals, and if so, how much

LFD ISSUE

Impact of New Federal Rule Regarding Reimbursement for Outpatient Hospital Services

A recent federal rule addressing reimbursement of some outpatient hospital services may impact the upper payment limit for Medicaid reimbursement for hospital services. The rule narrows the definition of outpatient hospital services to exclude those that could be provided and covered outside a hospital. DPHHS staff is evaluating the rule to determine whether the amount that hospitals can be reimbursed is lower than the amount requested in the executive budget. There is concern among some states that the cost of some outpatient services could be excluded from Medicaid reimbursement altogether.

Legislative Option

The legislature may wish to discuss with DPHHS its determination of whether the federal rule regarding reimbursement for outpatient services lowers the hospital Medicaid upper payment limit for Montana hospitals. If so, the legislature may wish to revise the appropriation and potentially the daily fee, if it approves this request. The legislature may wish to discuss with HRD whether federal Medicaid reimbursement would be eliminated for some outpatient services, and if so, the impact of such a change.

LFD ISSUE

Hospital Utilization Fee is a New Proposal

The executive budget includes the hospital utilization fee as a present law adjustment and rolled FY 2008 expenditures into the base budget. Including costs in the base budget is a more accurate reflection of what was expended for the Medicaid program in FY 2008; however, because the tax expires June 30, 2009, continuation of the tax is a new proposal.

Legislative Option

If the legislature approves this proposal, it could record the costs as a new proposal rather than present law adjustment.

New Proposals

New Proposals										
	Fiscal 2010					Fiscal 2011				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 11016 - Dental Expansion										
01	0.00	100,000	0	0	100,000	0.00	200,000	0	0	200,000
DP 11043 - Medicaid for Workers with Disabilities										
01	2.00	70,937	0	108,596	179,533	2.00	117,710	0	202,174	319,884
DP 11044 - Provider Rate Increase - Medicaid										
01	0.00	370,088	0	768,295	1,138,383	0.00	760,033	0	1,545,194	2,305,227
Total	**2.00**	**$541,025**	**$0**	**$876,891**	**$1,417,916**	**2.00**	**$1,077,743**	**$0**	**$1,747,368**	**$2,825,111**

DP 11016 - Dental Expansion - This proposal adds $100,000 general fund in FY 2010 and $200,000 general fund in FY 2011 to expand access to dental services through the Federally Qualified Health Centers (FQHCs) and possibly other providers. FQHCs competitively bid to provide dental services in the 2009 biennium for both Medicaid and non-Medicaid low-income populations.

LFD COMMENT Combine with Other Dental Expansion

If the legislature approves this request, it could move the general fund to the Dental sub-program. If the general fund is used as Medicaid match it could be transferred to the Medicaid Services function. If not, costs would be recorded with other expenditures that are fully state funded.

LFD COMMENT Dental Access was a Goal Tracked During 2009 Biennium

The Legislative Finance Committee tracked changes in dental access as an outcome to monitor during the 2009 biennium. The outcome measures are discussed in the division overview.

DP 11043 - Medicaid for Workers with Disabilities - The Health Resources Division is requesting $449,417 for the biennium, including $188,647 general fund for the Medicaid for Workers with Disabilities program (MWD).

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: Disabled persons who are eligible for Medicaid may be discouraged from working or earning more because increased income would make them ineligible for continued Medicaid coverage. Additionally, even if they would qualify for employer sponsored insurance, private health insurance usually does not cover some of the health services a disabled person may require to continue work, such as personal care assistance.

Goals:

- Increase the number of individuals with disabilities with substantial gains in employment
- Increase the earnings of individuals with disabilities
- Increase the number of persons who have some of their health care needs paid for by private insurance
- Increase the number of persons with disabilities who have reduced dependency or are no longer dependent on cash benefits or health care entitlement services
- Increase the state's labor force through the inclusion of people with disabilities
- Protect and enhance workers' healthcare, other benefits, and needed employment supports

Performance Criteria and Milestones:
- o Program framework established and approval from CMS before January 1, 2010
- o First participants enrolled by January 2010

Annually the following data will be collected
- o The number of individuals entering MWD program
- o The number of participants who were Medicaid enrollees prior to enrollment
- o The number of participants who were employed before and after entering MWD and hours worked
- o Participation in other benefit and health insurance programs before and after entering MWD
- o Participant monthly earnings before and after entering the MWD program
- o Number of participants with earnings above Social Security Administration (SSA) substantial gainful activity (SGA) limit
- o Participants' Medicaid costs
- o Participants' premium payments

FTE: 2.00 eligibility technician FTE are requested. The FTE will be responsible for determining if individuals are eligible and assist individuals with enrolling in the MWD program. The FTE will be managed by the Human and Community Services Division.

Funding: Medicaid benefits will be funded at the general fund and federal fund FMAP rates. DPHHS has also applied for a federal grant to support the program.

Obstacles: Defining policy options that encourage individuals with disabilities to increase their work-related earnings, focusing the program on people with high earning capacity, and finding a cost-effective premium structure.

The main features of the MWD program in order of impact on enrollment and costs are:
- o Income eligibility limit
- o Amount of earned income disregarded for income eligibility determination
- o Resource eligibility limit
- o Premium amount and monthly cost share
- o Income level above which participants are required to pay a premium

Risk:
This proposal is a high priority item for the administration and for people with disabilities. If this proposal were not adopted, needed assistance with healthcare coverage for people with disabilities would not be available. As a result, these people would be limited in their ability to work and to be independent. The cost to the state would be greater as they continued on cash benefits and healthcare entitlement services.

LFD ISSUE

Recommendation for Interim Tracking

The legislature may wish to recommend that this proposal be monitored by the Legislative Finance Committee during the interim. One of the recurring themes in discussions about public health assistance is the detrimental effect of losing health coverage for persons with disabilities. This program could provide valuable data to determine whether Medicaid costs overall are reduced if persons are allowed to maintain Medicaid services necessary to their employment. Experience with the program could provide valuable information in establishing future Medicaid program policies.

LFD COMMENT

If Proposal is Funded, FTE Funding Could be Assigned to Human and Community Services Division

If the legislature approves funding for this proposal, it could request LFD staff to allocate the funding among divisions so that appropriations are comparable to costs in the next biennium.

LFD COMMENT

Program Could be Funded with State Special Revenue

This Medicaid expansion would be an allowable use of health and Medicaid initiatives state special revenue for the services match. If the legislature approves the request, it could use this proposal to switch between general fund and state special revenue depending on other appropriation decisions.

LFD COMMENT

Contingent on Legislation

If the legislature approves this request, it may wish to make the appropriation contingent upon passage and approval of LC0349.

DP 11044 - Provider Rate Increase - Medicaid - The executive budget adds $1.6 million general fund and $3.3 million in federal funds for a 1 percent annual provider rate increase. The rate increase will be implemented October 1 of each fiscal year and as a result annualizes to a 0.75 percent change within each fiscal year.

Sub-Program Details

CHILDREN'S HEALTH CARE RESOURCES 02

Sub-Program Proposed Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011	Total Exec. Budget Fiscal 10-11
FTE	19.00	60.00	0.00	79.00	60.00	0.00	79.00	79.00
Personal Services	789,761	3,033,102	0	3,822,863	3,037,097	0	3,826,858	7,649,721
Operating Expenses	1,330,392	1,350,675	0	2,681,067	920,712	0	2,251,104	4,932,171
Equipment & Intangible Assets	5,535	0	0	5,535	0	0	5,535	11,070
Benefits & Claims	28,429,111	57,324,247	16,616	85,769,974	64,759,554	33,645	93,222,310	178,992,284
Total Costs	**$30,554,799**	**$61,708,024**	**$16,616**	**$92,279,439**	**$68,717,363**	**$33,645**	**$99,305,807**	**$191,585,246**
General Fund	103,996	997,947	0	1,101,943	1,435,506	0	1,539,502	2,641,445
State/Other Special	6,621,200	18,703,621	3,772	25,328,593	20,422,052	7,749	27,051,001	52,379,594
Federal Special	23,829,603	42,006,456	12,844	65,848,903	46,859,805	25,896	70,715,304	136,564,207
Total Funds	**$30,554,799**	**$61,708,024**	**$16,616**	**$92,279,439**	**$68,717,363**	**$33,645**	**$99,305,807**	**$191,585,246**

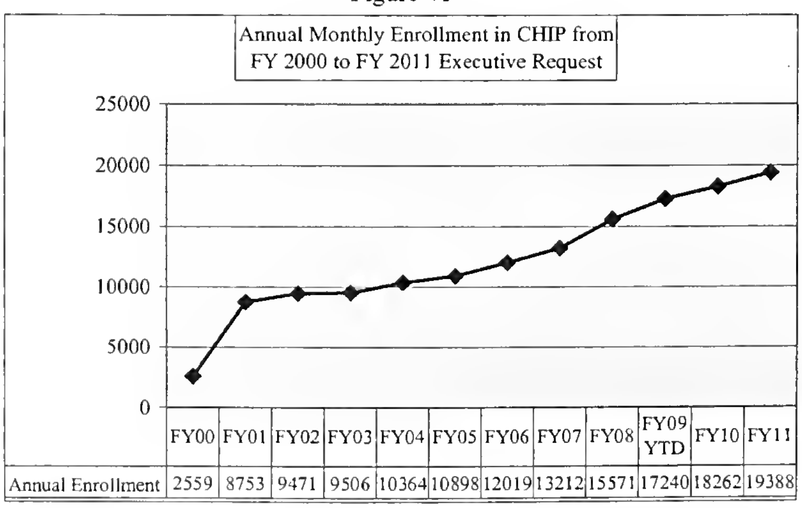
Sub-Program Description

Children's Health Care Resources includes the CHIP program and a present law adjustment to fund the Healthy Montana Kids (HMK) program enacted by voter initiative November 2008 (I-155). The annual 2011 biennium budget requests are more than triple base budget expenditures, largely due to HMK.

CHIP Enrollment

The legislature has reviewed CHIP enrollment over the biennia. During the 2007 biennium, enrollment lagged appropriation levels. The 2007 Legislature expanded CHIP eligibility from 150 percent of the federal poverty level to 175 percent. Enrollment has grown substantially over the 2009 biennium. Figure 41 shows historic and projected enrollment as of November 2008. Figure 41 does not include Healthy Montana Kids (I-155) funding.

Figure 41



LFD ISSUE

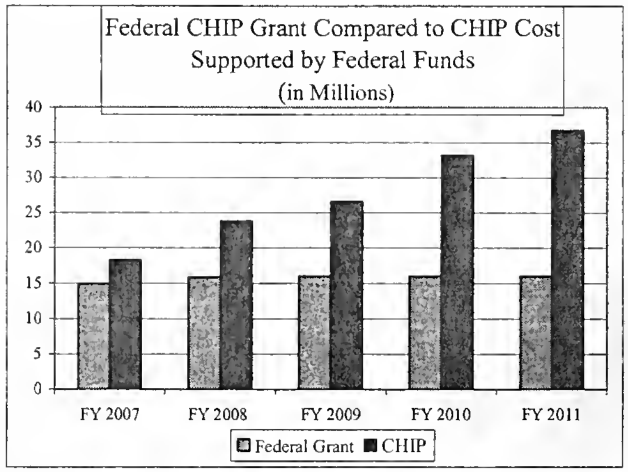
Request Assumes a Higher Federal Grant

The executive budget request includes $70.0 million in federal CHIP grant funds for base level and caseload cost increases for the CHIP program, and $6.0 million for the Healthy Montana Kids program. These amounts are far in excess of historic CHIP grant amounts.

Since FY 2006 the base grant for CHIP has ranged from $15 to 16 million annually. This biennium CHIP enrollment has increased enough to begin using the full federal grant each year. Previously, unspent portions of the federal grant were available to fund expanded enrollment. During the 2007 session, it appeared that Congress was going to reauthorize CHIP and expand federal funding. The legislature expanded eligibility and provided the state matching funds to enroll more children. Subsequently, federal funding for CHIP was extended, but not raised. The funding for CHIP expires March 2009.

Figure 42 compares expected annual federal CHIP grants if Congress reauthorizes CHIP and maintains historic funding levels compared to the executive request for CHIP. Figure 42 does not include $6.0 million in federal CHIP grant funds requested to support Healthy Montana Kids and it does not include an additional $1.4 million in federal funds that HRD anticipates it will receive during FY 2009.

Figure 42



Congressional Reauthorization

Congress may act to reauthorize CHIP while the legislature in is session. If so, legislators will be able to make informed appropriation decisions about near term federal funding for CHIP.

Current Federal CHIP Grant will be Exhausted by July 1, 2009

If Congress does not reauthorize CHIP, the federal matching funds will be exhausted by July 1, 2009 at current enrollment levels.

Legislative Options:

The legislature could request that HRD provide a plan to manage the program within the historic level of federal funding in case CHIP grants are not increased to the level anticipated in the executive budget. The legislature could review the plan and decide whether to structure appropriations to implement the plan, or whether to provide state funding to offset all or a portion of reduced federal funding. The legislature could ask HRD to address options related to offsetting any potential federal CHIP shortfalls by raising Medicaid eligibility for children. (Currently Medicaid eligibility for Healthy Kids Montana is 185 percent of the federal poverty level, the maximum federal limit.)

LFD ISSUE

Program Required to Spend Non-General Fund First

FY 2008 base funding shows $103,000 in general fund costs. The CHIP program was appropriated $6.8 million in state special revenue matching funds in FY 2008 – about $200,000 more than the program expended. These funds should have been used instead of general fund.

The CHIP program received a $100,000 general fund appropriation and about $400,000 federal matching funds each year of the 2009 biennium to implement HB 198 to fund significant dental needs beyond those covered in the basic CHIP plan. Expenditures are limited to $100,000 in state funds, plus any matched federal funds, each fiscal year.

The department recorded $103,996 in expenditures against the general fund. It should have used excess state special revenue prior to spending general fund in compliance with 17-2-108(1), MCA.

Legislative Options
The legislature could ask DPHHS to adjust FY 2008 accounting records to comply with 17-2-108(1), MCA and revert $103,996 to the general fund. The legislature could request that the Legislative Audit Division include this issue in the financial compliance audit.

LFD ISSUE

Funding Shifts to General Fund Should be New Proposals and May be Unnecessary

There are two present law budget requests - DP 11008 - CHIP Caseload and DP 11041 - CHIP – State Match Increase that shift costs from state special revenue to the general fund. All funding shifts are to be included as new proposals, particularly when general fund is increased.

Except for $100,000 for additional dental services, the 2007 Legislature funded all of the state match for the CHIP program from state special revenue (tobacco settlement funds and health and Medicaid initiatives revenue). The executive budget shifts the cost of an increase in the CHIP state match rate to the general fund. That cost shift should be a new proposal. Additionally, depending on legislative appropriations there may be sufficient funds in either the health and Medicaid initiatives account or tobacco settlement fund to cover the increase in state match.

Legislative Option
The legislature may wish to review fund balances of state special revenue sources allocated to CHIP. There may be sufficient funds to offset the switch to general fund as well as the cost shift in the present law adjustment for increased benefit and operating costs. The state special revenue sources allocated to CHIP include tobacco settlement revenue and tobacco tax state special revenue. These funding sources are reviewed in the agency summary because they fund so many activities across the agency.

Budget Summary By Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	103,996	103,996	207,992	7.87%	30,554,799	30,554,799	61,109,598	31.90%
Statewide PL Adjustments	638	651	1,289	0.05%	187,525	191,270	378,795	0.20%
Other PL Adjustments	997,309	1,434,855	2,432,164	92.08%	61,520,499	68,526,093	130,046,592	67.88%
New Proposals	0	0	0	0.00%	16,616	33,645	50,261	0.03%
Total Budget	$1,101,943	$1,539,502	$2,641,445		$92,279,439	$99,305,807	$191,585,246	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010					Fiscal 2011				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					222,714					225,857
Vacancy Savings					(40,497)					(40,624)
Inflation/Deflation					806					893
Fixed Costs					4,502					5,144
Total Statewide Present Law Adjustments					**$187,525**					**$191,270**
DP 11008 - CHIP Caseload	0.00	887,370	1,143,839	6,916,849	8,948,058	0.00	1,274,391	1,605,996	9,626,720	12,507,107
DP 11009 - CHIP SSR Fund Adjustment	0.00	0	0	0	0	0.00	0	0	0	0
DP 11011 - Healthy Montana Kids Plan	60.00	0	17,393,802	35,178,639	52,572,441	60.00	0	18,598,969	37,420,017	56,018,986
DP 11041 - CHIP - FMAP Rate Increase	0.00	109,939	125,343	(235,282)	0	0.00	160,464	175,639	(336,103)	0
Total Other Present Law Adjustments	**60.00**	**$997,309**	**$18,662,984**	**$41,860,206**	**$61,520,499**	**60.00**	**$1,434,855**	**$20,380,604**	**$46,710,634**	**$68,526,093**
Grand Total All Present Law Adjustments					**$61,708,024**					**$68,717,363**

DP 11008 - CHIP Caseload - This request adds $21.5 million in total funds, including $2.2 million general fund and $2.7 million in state special revenue funds for CHIP expansion. Base level expenditures were $28.4 million.

The CHIP caseload adjustment assumes that enrollment will increase from 17,164 in FY 2009 to 19,388 in FY 2011 and that average benefit costs will increase 5.9 percent from FY 2009 to FY 2010 and then 3.9 percent from FY 2010 to FY 2011.

DP 11009 - CHIP SSR Fund Adjustment - This adjustment reduces tobacco settlement state special revenue by $925,614 in each year of the biennium and increases funding by a like amount from the health and Medicaid initiatives state special revenue account in each year of the biennium.

DP 11011 - Healthy Montana Kids Plan - This present law adjustment adds 60.00 new FTE and $36.0 million from Montana healthy kids state special revenue funds and $72.6 million federal funds over the biennium to expand Medicaid and CHIP programs for children's health insurance enacted by the passage of voter Initiative 155 - Healthy Montana Kids and effective November 4, 2008. This request is contingent upon federal approval of both CHIP and Medicaid state plan amendments and the receipt of matching federal funds.

LFD COMMENT

Total Agency Request in HRD

This initiative is discussed in greater detail in the agency overview. The initiative includes funding for three divisions within DPHHS:

- Health Resources Division – 6.00 FTE and $32.7 million Montana healthy kids state special revenue funds and federal matching funds
- Human and Community Services Division – 54.00 FTE and $3.0 million from the Montana healthy kids state special revenue account and $3.0 million in federal Medicaid matching funds
- Technology Services Division - $0.2 million Montana healthy kids state special revenue funds and $0.3 million federal funds

LFD ISSUE The Legislature could Structure Appropriations to Allow Accurate Budget Comparisons between the Three Divisions

Option
The legislature may wish to allocate funds and FTE to the appropriate division if it approves funding for the proposal. Allocating funds among divisions would facilitate more accurate comparisons of appropriations and expenditures.

DP 11041 - CHIP - FMAP Rate Increase - The executive budget adds $300,982 in tobacco settlement funds and $270,403 in general fund over the biennium with a like reduction in federal funds.

LFD ISSUE Shift to General Fund Should be a New Proposal and May be Unnecessary

The legislature may wish to review fund balances of state special revenue sources allocated to CHIP. There may be sufficient funds to offset the switch to general fund as well as the cost shift in the present law adjustment for increased benefit and operating costs. The state special revenue sources allocated to CHIP include tobacco settlement revenue and tobacco tax state special revenue. These funding sources are reviewed in the agency summary because they fund so many activities across the agency.

New Proposals

New Proposals										
	Fiscal 2010					Fiscal 2011				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 11033 - Provider Rate Increase - CHIP										
02	0.00	0	3,772	12,844	16,616	0.00	0	7,749	25,896	33,645
Total	**0.00**	**$0**	**$3,772**	**$12,844**	**$16,616**	**0.00**	**$0**	**$7,749**	**$25,896**	**$33,645**

DP 11033 - Provider Rate Increase - CHIP - This proposal adds $50,261, including about $12,000 health and Medicaid initiative state special revenue, for a targeted rate increase for CHIP providers for each year of the biennium. The provider groups that will receive the rate increase are those paid directly by department, for example dentists. This targeted increase is expected to encourage providers' willingness to continue to accept CHIP patients. The funds would provide a 1 percent provider rate increase that would be implemented October 1 of each state fiscal year, so the annualized rate during the state fiscal year is 0.75 percent.

Sub-Program Details

CHILDREN'S MENTAL HEALTH SERVICES 03

Sub-Program Proposed Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011	Total Exec. Budget Fiscal 10-11
FTE	16.00	0.00	2.00	18.00	0.00	2.00	18.00	18.00
Personal Services	781,366	174,570	90,244	1,046,180	179,032	90,276	1,050,674	2,096,854
Operating Expenses	1,860,320	2,661	145,875	2,008,856	3,102	165,998	2,029,420	4,038,276
Grants	645,569	0	0	645,569	0	0	645,569	1,291,138
Benefits & Claims	59,429,662	7,632,006	1,003,438	68,065,106	10,177,122	1,507,991	71,114,775	139,179,881
Total Costs	**$62,716,917**	**$7,809,237**	**$1,239,557**	**$71,765,711**	**$10,359,256**	**$1,764,265**	**$74,840,438**	**$146,606,149**
General Fund	17,825,421	3,126,089	444,278	21,395,788	4,219,682	625,322	22,670,425	44,066,213
State/Other Special	2,410,070	22,796	0	2,432,866	75,471	0	2,485,541	4,918,407
Federal Special	42,481,426	4,660,352	795,279	47,937,057	6,064,103	1,138,943	49,684,472	97,621,529
Total Funds	**$62,716,917**	**$7,809,237**	**$1,239,557**	**$71,765,711**	**$10,359,256**	**$1,764,265**	**$74,840,438**	**$146,606,149**

Sub-Program Description

The Children's Mental Health sub-program administers mental health services for children, including Medicaid funded services, an expanded mental health benefit program in CHIP for SED (limited to 130 children), and very limited services supported by general fund. The Medicaid and general fund services are included in the Children's Mental Health sub-program budget, but the CHIP funding for the expanded mental health benefit is budgeted in the CHIP program. The bureau also manages a federal grant to develop and coordinate an integrated service support system for children under age 18 who are seriously emotionally disturbed (SED), living in or about to be placed in an out-of-home setting, and needing the assistance of more than one state agency.

The most significant changes from the 2008 base budget include:

- Medicaid service utilization and eligibility increases - $16.9 million total funds, $5.4 million general fund
- An increase in the state Medicaid match rate - $1.6 million general fund
- A provider rate increase - $1.5 million total funds, $0.5 million general fund

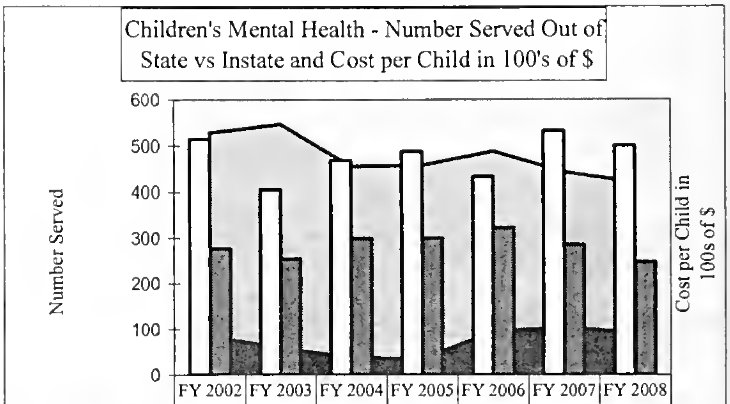
Residential Treatment Services

HRD has made concerted efforts to reduce the number of children placed in residential treatment facilities (RTFs) and to reduce the number of out of state placements. Figure 43 shows the number of children served instate and out of state as well as the average cost per type of placement.

The number of children in RTFs declined by about 60 from 488 in FY 2006 to 421 in FY 2008, with the largest decline in instate placements. The average cost per child served has also declined for both types of placements.

HRD has used five field staff to help keep children in their communities and the utilization review contractor has aided in that effort. HRD also participates in cross divisional efforts to provide long term plans for children with intensive service needs, including paying part of the cost for services.

Figure 43



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
In State Placements	444	488	418	423	393	339	329
Out of State Place.	85	59	38	35	95	104	92
Cost In State	276.832	253.888	299.45	299.929	322.309	285.099	246.979
Cost Out of State	514.492	405.005	468.18	487.243	432.693	531.864	500.399

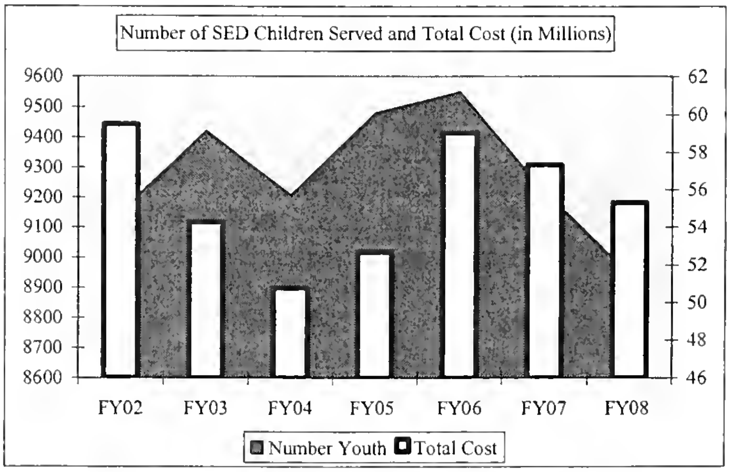
Service Costs for Seriously Emotionally Disturbed Children are Lower

One of the areas of legislative interest has been high cost cases in children's mental health. Last session one of the fastest growing components of the Medicaid budget was children's mental health. This biennium, the growth rate slowed considerable. The slower growth rate is due to several factors:

- o Fewer number of children served in residential psychiatric facilities (488 in FY 2006, 443 in FY 2007, and 421in FY 2008)
- o Fewer SED children served

Figure 44 shows the total number of SED youth served and the total cost in millions from FY 2002 through FY 2008.

Figure 44



LFD ISSUE

Growth Rate for Children's Mental Health Medicaid Slows

Children's mental health Medicaid costs have been growing at a much slower rate compared to the cost change between FY 2004 and FY 2006. Some of the slowing cost increases are due to aggressively managing RTC placements and aggressively managing community services for children with intensive needs.

LFD ISSUE (CONT.)

FY 2008 expenditures were $13.3 million lower than the appropriation ($72.7) million. FY 2009 expenditures are projected to be $59.9 million, about 2 percent more than FY 2008, and close to $20 million less than the FY 2009 appropriation.

The 2011 biennium caseload adjustment is based on cost increases between FY 2009 and FY 2010 that don't seem to be supported by the last two years of experience. Caseload estimates are updated during the legislative session. If projected FY 2009 costs for children's mental health services remain low compared to FY 2008 costs, the legislature may consider reducing this request.

Legislative Option
The legislature could direct LFD staff to work with HRD staff to determine children's mental health cost changes from FY 2006 through the estimate for FY 2009 and potential reductions to the present law request.

System of Care Funding and State Match

In 2004, HRD received a five year grant from the federal Substance Abuse and Mental Health Services Administration to develop a system of care for SED youth. A system of care is a coordinated network of community-based services and supports that are organized to meet the challenges of children and youth with serious mental health needs and their families. Families and youth work in partnership with public and private organizations to design mental health services and supports that are effective

The system of care grant is a six year grant, but must be applied for annually and is subject to federal approval annually. The grant began September 30, 2004 and ends September 29, 2010. Montana has $1.5 million in excess grant funds it has not expended from prior year grants and is requesting to carry forward those funds in its most recent application.

The grant required a 25 percent in-kind or cash match for years one through three. The match rose to 50 percent in the fourth year and at the end of September 2008 it increased to 66 percent. The grant terms prohibit the funds being used to supplant state funding. Local Kids Management Authorities (KMAs) provide the match.

A KMA is local interagency team comprised of parents, youth, public and private child-serving agencies, youth corrections, courts, tribes, providers and advocates. KMAs provide local infrastructure for wraparound services and partner with the state to provide information on systemic needs.

The 2007 Legislature appropriated $371,000 general fund in each year of the 2009 biennium for system of care activities. This appropriation was used as part of the match for the grant. However, it may exceed the match needed by the five KMAs.

The state and the KMAs also are planning ahead to determine which of the system of care elements that were put into place during the grant period can and should be kept in place without the federal funds.

LFD COMMENT

Match Requirements for System of Care Grant

DPHHS included a request for $300,000 general fund for the 2011 biennium for system of care sustainability. The request was not included in the governor's budget. The Children Families, Health, and Human Services Interim Committee requested two bills to provide funding for the system of care sustainability and flexible funding for children's mental health services:

- LC0593, to appropriate $2.4 million general fund to sustain existing KMAs at the community level and create 10 additional KMAs
- LC0595, to appropriate $250,000 general fund to provide flexible funding with priority given to children up to the age of 6

The LFD staff has requested that HRD provide the following information to the 2009 Legislature so that is may consider issues related to the system of care grant and related legislative interim committee appropriation requests:

- Status of grant funding and assuming reauthorization of the federal grant, length of time KMA's can be funded
- Preliminary evaluation criteria regarding outcomes of KMA activities
- Estimated nonfederal cost to continue KMAs for the 2011 and 2013 biennium
- Continued existence of KMAs once federal funds are no longer available

LFD ISSUE

General Fund Request for Children's Mental Health Benefits

Near the end of its analysis of the executive budget, LFD staff identified a potential issue with respect the level of general fund supporting executive budget request for children's mental health services. Executive budget documentation provided explanation for some changes to the general fund changes, but not all. Too little time remained to fully evaluate the level of general fund requested and determine how much general fund supported:

- Federal Medicaid match rate changes
- The system of care grant and funding for KMAs
- Non Medicaid mental health benefits paid by part of the TANF state maintenance of effort

Legislative Option

The LFD will review the additional documentation requested from HRD and provide comment to the legislature during appropriation committee hearings. The information will allow the legislature to evaluate any potential appropriation requests for funding state match for the system of care grant to determine funds available in the base budget and 2011 biennium budget request.

Budget Summary By Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	17,825,421	17,825,421	35,650,842	80.90%	62,716,917	62,716,917	125,433,834	85.56%
Statewide PL Adjustments	21,192	22,861	44,053	0.10%	177,231	182,134	359,365	0.25%
Other PL Adjustments	3,104,897	4,196,821	7,301,718	16.57%	7,632,006	10,177,122	17,809,128	12.15%
New Proposals	444,278	625,322	1,069,600	2.43%	1,239,557	1,764,265	3,003,822	2.05%
Total Budget	**$21,395,788**	**$22,670,425**	**$44,066,213**		**$71,765,711**	**$74,840,438**	**$146,606,149**	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010 FTE	Fiscal 2010 General Fund	Fiscal 2010 State Special	Fiscal 2010 Federal Special	Fiscal 2010 Total Funds	Fiscal 2011 FTE	Fiscal 2011 General Fund	Fiscal 2011 State Special	Fiscal 2011 Federal Special	Fiscal 2011 Total Funds
Personal Services					214,399					219,048
Vacancy Savings					(39,829)					(40,016)
Inflation/Deflation					900					1,088
Fixed Costs					1,761					2,014
Total Statewide Present Law Adjustments					**$177,231**					**$182,134**
DP 11002 - Medicaid FMAP	0.00	646,528	0	(646,528)	0	0.00	916,894	0	(916,894)	0
DP 11006 - Medicaid Caseload - Children's Mental Health	0.00	2,304,067	22,796	4,830,513	7,157,376	0.00	3,123,441	75,471	6,503,580	9,702,492
DP 11042 - PRTF Reimbursement To Include State Plan Services	0.00	154,302	0	320,328	474,630	0.00	156,486	0	318,144	474,630
Total Other Present Law Adjustments	**0.00**	**$3,104,897**	**$22,796**	**$4,504,313**	**$7,632,006**	**0.00**	**$4,196,821**	**$75,471**	**$5,904,830**	**$10,177,122**
Grand Total All Present Law Adjustments					**$7,809,237**					**$10,359,256**

DP 11002 - Medicaid FMAP - The executive budget adds $646,528 million general fund and reduces federal funds by the same amount to adjust for the increased state Medicaid match rate.

DP 11006 - Medicaid Caseload - Children's Mental Health - This request adds $16.9 million in total funds ($5.5 million in general fund) for the biennium for anticipated changes in Medicaid service utilization and eligibility. Base level expenditures were $59.4 million.

DP 11042 - PRTF Reimbursement To Include State Plan Services - This proposal adds $310,788 in general fund and $638,472 in federal funds over the biennium to reimburse psychiatric residential treatment facility (PRTF) providers for all Medicaid state plan services as clarified by the federal Center for Medicare and Medicaid Services (CMS). Recent CMS recoveries in other states have made clear that PRTF providers are financially responsible for the cost of outside medical services for children they serve. The Montana Medicaid was reimbursing other providers, for example psychiatrist services, for children in a treatment facility. PRTF providers may not be able to purchase these services at Medicaid rates. Moreover, they may encounter catastrophic expenses on individual youth that are not accounted for in the per diem rate. This request annualizes the program. The change started in FY 2009.

LFD COMMENT

Provider Participation and Access to Services

The executive budget indicates that PRTF providers may not receive sufficient compensation with this change and that a provider could encounter catastrophic expenses for an individual child. The legislature may wish to ask the department and providers to comment on this potential outcome and the likelihood that providers would continue to accept Montana Medicaid clients, particularly out of state PRTF, if the risk is substantial.

The legislature may also wish to ask whether individual clients could be refused services if they had physical Medicaid conditions that could be expensive to treat. If that were to happen, the legislature may wish to ask HRD how residential treatment services would be obtained.

New Proposals

New Proposals	Fiscal 2010					Fiscal 2011				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 11029 - Federal Mandate to TGF and TFC										
03	0.00	166,189	0	345,003	511,192	0.00	168,540	0	342,652	511,192
DP 11036 - Medicaid Grant										
03	2.00	118,060	0	118,059	236,119	2.00	128,137	0	128,137	256,274
DP 11044 - Provider Rate Increase - Medicaid										
03	0.00	160,029	0	332,217	492,246	0.00	328,645	0	668,154	996,799
Total	**2.00**	**$444,278**	**$0**	**$795,279**	**$1,239,557**	**2.00**	**$625,322**	**$0**	**$1,138,943**	**$1,764,265**

DP 11029 - Federal Mandate to TGF and TFC - This proposal adds $334,729 in general fund and $687,655 in federal funds over the biennium. The increased funding may be necessary to meet federally required reimbursement changes for therapeutic group homes (TGH) and therapeutic foster care (TCF) providers.

If CMS requires the department to unbundle the current per diem payment to each of these provider types and reimburse for individual services, HRD estimates additional funds would be necessary. The division estimates that providers will receive 3 percent more if CMS requires the agency to change to a fee for service basis of reimbursement.

Therapeutic group homes have completed cost reports for FY 2008. The cost reports can be used to determine a rate for individual services that were previously billed as bundled services if needed.

LFD ISSUE

Restricted Appropriation

The legislature may wish to line item and restrict this appropriation in case federal regulations either remain the same or the expected cost change is less than the request.

DP 11036 - Medicaid Grant - The 2007 Legislature approved an executive request for a federal demonstration grant authorized by the federal Deficit Reduction Act of 2005. The grant allowed the state to pursue a home and community based service waiver (HBCS) as an alternative to utilizing psychiatric residential treatment facility services for children with serious emotional disturbance. This budget request adds $236,119 in FY 2010 ($118,060 general fund) and $256,274 in FY 2011 ($128,137 general fund) to annualize FY 2008 costs. The grant was initiated October 1, 2007.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: The grant allowed the state to pursue a home and community based service waiver (HBCS), as an alternative to utilizing psychiatric residential treatment facility services for children with serious emotional disturbance.
Justification:

Goal: Offer youth with SED the choice of home and community-based alternatives to psychiatric residential treatment facilities

Performance Criteria and Milestones:

- o Within Waiver Year 1, enroll and track 20 Yellowstone County youth with SED
- o Waiver Year 2, enroll and track a total of 30 youth in two other counties within the state
- o Waiver years 3-5 enroll and track 50 youth in two more counties. A total of 100 youth will be served

.

- o Measure success through functional outcomes, cost effectiveness, consumer surveys, and cost neutrality including the federally mandated CMS 7372 report which includes a section regarding quality of services rendered, as well as budget neutrality of the waiver

FTE: A program director oversees the work in all five sites; there is a plan manager for each county with a waiver program. Currently the waiver is located in Yellowstone County but will begin in four other counties.

Funding: Medicaid reimburses for services provided to youth with SED enrolled in the waiver at FMAP. Administrative costs are reimbursed via the DRA grant.

Obstacles: Outreach to potential clients; hiring plan managers; locating office spaces; establishing provider networks; educating stake holders regarding the waiver and referral process; as well as educating parents, providers, etc. to the wraparound delivery service model

Risks: Potential increase in cost as youth with SED will be placed in a more costly and restrictive setting. Potential increase in costs as youth with SED return to out-of-home placements because the intense work with families is not able to take place when the youth is out of the home.

LFD COMMENT

Goals and Measures Provide Good Information

The goal and measures included for this proposal are time bound and include evaluation data that reviews health outcomes as well as whether the services are cost effective. The data gathered for this waiver may prove valuable to legislators in establishing appropriations.

LFD ISSUE

Specific Evaluation Criteria Needed

The legislature may wish to know the specific quality and functional outcome measures that will be reviewed, as well as the thresholds that will indicate that waiver services achieved positive outcomes. The information may be particularly useful since one of the goals of this project listed in the grant application is to produce a community-level template that can be used to establish the wraparound services in Montana communities, and the cost-neutral strategies needed to implement a sustainable, ongoing home and community based waiver at the end of the five year demonstration project.

Legislative Option
If the legislature approves the request, it may wish to include the specific evaluation criteria in the new proposal evaluation section.

<u>DP 11044 - Provider Rate Increase - Medicaid -</u> The executive budget adds $1.6 million general fund and $3.3 million in federal funds for a 1 percent annual provider rate increase. The rate increase will be implemented October 1 of each fiscal year and as a result annualizes to a 0.75 percent change within each fiscal year.

Sub-Program Details

PRESCRIPTION DRUG PROGRAM 05

Sub-Program Proposed Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011	Total Exec. Budget Fiscal 10-11
FTE	7.40	0.00	0.00	7.40	0.00	0.00	7.40	7.40
Personal Services	315,355	33,951	0	349,306	35,674	0	351,029	700,335
Operating Expenses	702,129	4,280	0	706,409	4,768	0	706,897	1,413,306
Benefits & Claims	1,517,040	3,434,980	0	4,952,020	3,434,980	0	4,952,020	9,904,040
Total Costs	**$2,534,524**	**$3,473,211**	**$0**	**$6,007,735**	**$3,475,422**	**$0**	**$6,009,946**	**$12,017,681**
State/Other Special	2,534,524	3,473,211	0	6,007,735	3,475,422	0	6,009,946	12,017,681
Total Funds	**$2,534,524**	**$3,473,211**	**$0**	**$6,007,735**	**$3,475,422**	**$0**	**$6,009,946**	**$12,017,681**

Sub-Program Description

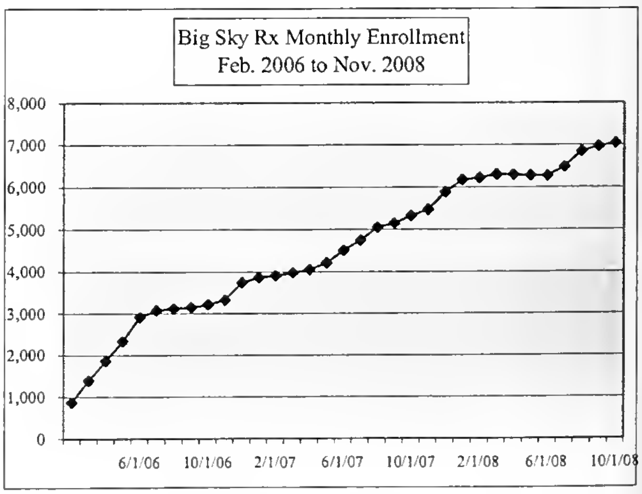
The Prescription Drug sub-program includes two functions:

- o Big Sky Rx – premium assistance to purchase Medicare Part D prescription drug coverage for Medicare eligible Montanans with incomes under 200 percent of the federal poverty level
- o Pharmassist – toll free number for Montanans to call and have one-on-one consultations with a licensed pharmacist about the prescription drugs they are taking

Both programs are funded from the health and Medicaid initiatives state special revenue account established by citizen initiative November 2004 (I-149). The initiative raised tobacco taxes and specified how the funds could be used.

The 2005 Legislature established Big Sky Rx, the Pharmassist program, and two other programs – a drug discount program and a prescription drug education program. Big Sky Rx was implemented and began enrollment in February 2006 and was 7,033 in October 2008. (See Figure45)

Figure 45



The Pharmassist program started in March 2008 and contracts with licensed pharmacists to consult with individuals to offer information on ways of controlling medication costs and on prudent use of medications. Pharmacists involved in this program are not diagnosing, treating medical conditions, or prescribing medications. The participating pharmacist is providing medication management recommendations.

The Prescription Drug Education program is on the DPHHS web site and lists a page explaining the program and includes links to information about prescription drugs, including cost and effectiveness. This site serves as an educational resource for citizens and medical practitioners to compare the clinical effectiveness and cost comparisons between prescription drugs.

The drug discount program is still in the research phase. Since 2005 most major drug manufactures have been participating in pharmacy assistance programs that provide free or discounted prescription drugs.

Big Sky Rx Enrollment and Cost Estimates

The executive budget includes $6.4 million for expanded enrollment in Big Sky Rx. The program can pay up to $33.11 per month toward a Medicaid Part D policy. The average monthly payment in FY 2008 was $20.19 and enrollment averaged 6,000 persons a month, with 7,033 persons enrolled as of November 2008. When the program was initially approved, 20,000 persons were estimated to be eligible.

LFD COMMENT Certain Medicare eligible persons may also qualify for a federal low income subsidy (LIS) to pay a portion of the monthly Part D premiums, annual deductibles, and prescription co-payments for a Medicare Part D prescription drug policy. The LIS could be worth up to $3,600 per year - $300 per month. To be eligible a person must have combined savings, investments, and real estate worth less than $23,970 if married and living with a spouse, or $11,990 if single or not living with a spouse. The value of an owner occupied home, vehicles, personal possessions, burial plots or irrevocable burial contracts are excluded. Big Sky Rx also supplements the federal LIS.

LFD ISSUE Big Sky Costs – Conflicting Cost Outcomes

There are two issues related to Big Sky enrollment projections with diametrically opposed outcomes:

- The LFD estimate is lower than the executive request
- The executive budget request may be enough to support the executive enrollment projections

In the first instance, the legislature could consider reducing the executive budget request and in the second, the legislature could consider increasing the request. Each scenario will be discussed with the options discussion combined at the end of the issue.

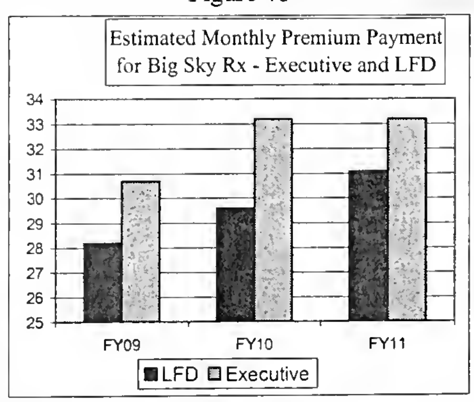
Estimated Enrollment Levels Similar; Payment Different

There are two components to Big Sky Rx benefit costs: average monthly enrollment and the average monthly payment per enrollee. The number of enrollees for the LFD and executive estimates is similar reaching a monthly total at the end of FY 2011 of 14,959 (executive) compared to 14,728 (LFD).

The significant difference between the two estimates is the projected average monthly payment. Figure 46 shows the estimated monthly payments.

The executive budget is based on an average monthly payment of $33.18 per enrollee – the maximum payment allowed. The LFD estimate is based on the average payment in October 2008 of $28.19 inflated 5 percent annually. The LFD estimated average per capita cost is $24 to $36 lower annually than the executive projection. In total, the LFD estimated enrollment and monthly payment are lower than the executive over the biennium by $1.1 million.

Figure 46



Executive Request May Slightly Lower than Needed

The executive budget request could be too low to fund the executive cost estimate for Big Sky assistance, depending on enrollment patterns. If enrollment increases at a steady pace, adding persons gradually over the biennium, the executive request is $289,000 to low. If enrollment increases at a faster pace earlier in the biennium, the short fall would be greater and if enrollment growth is greatest during the latter part of the biennium costs could be less than the appropriation.

LFD ISSUE(CONT.)

Options

The legislature has several options with respect to establishing the Big Sky Rx premium appropriation:

- Accept the executive request
- Accept the executive request and add additional funds
- Accept a lower amount than requested by the executive, using the LFD estimate or an amount between the executive request and the LFD estimate
- Base the annual 2011 appropriation at the annualized cost for FY 2009 estimated enrollment, which could be as high as $3.5 million per year
- Potentially restrict the use of the appropriation so that it cannot be transferred to other uses

Budget Summary By Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	0	0	0	0.00%	2,534,524	2,534,524	5,069,048	42.18%
Statewide PL Adjustments	0	0	0	0.00%	38,231	40,442	78,673	0.65%
Other PL Adjustments	0	0	0	0.00%	3,434,980	3,434,980	6,869,960	57.17%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	**$0**	**$0**	**$0**		**$6,007,735**	**$6,009,946**	**$12,017,681**	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010					Fiscal 2011				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					48,506					50,301
Vacancy Savings					(14,555)					(14,627)
Inflation/Deflation					921					924
Fixed Costs					3,359					3,844
Total Statewide Present Law Adjustments					**$38,231**					**$40,442**
DP 11034 - Big Sky Rx Base Adjustment - Biennial	0.00	0	3,200,000	0	3,200,000	0.00	0	3,200,000	0	3,200,000
DP 11035 - Pharmassist Program	0.00	0	234,980	0	234,980	0.00	0	234,980	0	234,980
Total Other Present Law Adjustments	**0.00**	**$0**	**$3,434,980**	**$0**	**$3,434,980**	**0.00**	**$0**	**$3,434,980**	**$0**	**$3,434,980**
Grand Total All Present Law Adjustments					**$3,473,211**					**$3,475,422**

<u>DP 11034 - Big Sky Rx Base Adjustment - Biennial -</u> This request adds $6.4 million in health and Medicaid initiatives state special revenue over the biennium for Big Sky Rx. The Big Sky RX program started in January 2006. The program may pay up to $33.11 per month for the Medicare prescription drug plan premiums and persons must have an income below 200 percent of the poverty level to be eligible.

Justification: Big Sky Rx pays up to $33.19 per month of the Medicare Part D prescription drug insurance premium for eligible Montanans – those eligible for Medicare with incomes below 200 percent of the federal poverty level. According to the Center for Medicare and Medicaid Services (CMS) there are 116,172 Montanans who are enrolled or eligible to enroll in Medicare Part D prescription drug plan. 19,285 of these Montanans are potentially eligible for Big Sky Rx (7,033 people are enrolled as of November 1, 2008).

Goals: The goal of the Big Sky Rx program is to reach full service capacity of 19,285 Montanans receiving financial help to pay monthly premiums for Medicare Part D prescription drug coverage.
Performance Criteria and Milestones: Big Sky Rx measures progress toward the program goal with monthly enrollment reports as well as monthly fiscal performance reports. Both reports are evaluated for progress toward enrollment goals and for determining successful enrollment campaigns.

FTE: The work will be performed by existing staff.

Funding: The program is funded through health and Medicaid initiatives state special revenue (tobacco tax revenue from I-149).

Challenges: The Medicare beneficiary population has proven hard to reach on both a statewide and a national basis. Recently HRD completed the most successful enrollment campaign since the program's inception based on a market analysis preformed by a third party vendor. The vendor concluded one of the best methods for reaching this population segment was through direct mail to potential eligible Montanans.

Risks: If the proposal is not funded, some Montanans may not be able to pay the out-of-pocket premium payments for Medicare Part D prescription drug plans, which could result in discontinuation of prescribed medications and a resulting increase in health care costs.

LFD ISSUE

Performance Criteria and Milestones are not Defined

Although the goal of Big Sky Rx is to reach an enrollment of 19,285, progress toward that goal is not well defined. Without specific measures, the legislature cannot make an informed appropriation decision or evaluate program outcomes.

Option:
The legislature may wish to request that HRD provide concrete measures that are time bound. These criteria would allow the legislature to evaluate funding needs for Big Sky Rx with greater accuracy. The legislature could adopt the criteria in order to evaluate Big Sky Rx performance.

LFD ISSUE

Performance Criteria do not Evaluate Effects of Providing a Premium Subsidy

The Big Sky Rx goal is to maximize enrollment. While successful access to health care services and benefits is sometimes measured by the level of enrollment, that statistic alone does not tell the legislature whether the expenditure of funds is producing desirable outcomes. Without qualitative data, the legislature cannot determine whether one program is better than another for achieving outcomes that are usually related to such goals as treatment of medical conditions, and prevention of more costly care.

Enrollment is easy to quantify and measure, while health outcomes are not. However, incremental movement toward measuring meaningful outcomes would provide valuable information to the legislature for appropriation decisions. Until other measures are defined, enrollment will be the only data collected and reported.

Option: The legislature may wish to ask HRD to discuss what types of outcomes could be measured in addition to enrollment.

DP 11035 - Pharmassist Program - This adjustment adds about $470,000 in health and Medicaid initiatives state special revenue to fund continuation of the Pharmassist program started in March 2008. The program contracts with licensed pharmacists to consult with individuals on ways to control medication costs, and prudent use of medications. The service is available to all Montana citizens.

LFD COMMENT

Current Status of Pharmassist and Future Plan

HRD provided additional information about the Pharmassist program. As of November 2008, 14 providers are participating in the program and an additional 157 pharmacists have been trained. The program is open to any Montanan.

Pharmassist will be provider driven initially until the provider base increases and then the program will be marketed to the public at large. Providers determine which persons from their patient base would benefit from a one-on-one in-depth consultation. The providers determine how much time they have available to perform consultations.

Presently the steps for a person to follow are:

1. Patient or other interested party (healthcare professionals, family, friends or caregivers) calls MT PharmAssist hotline for a Patient Packet;
2. Patient fills out forms completely and returns them to Mountain-Pacific Quality Health (MPQH). MPQH analyzes Patient Packet information to determine if there is an opportunity for the patient to benefit from the program;
3. Contracted pharmacist receives patient packet, contacts patient to arrange face to face meeting and gather additional information if necessary; and
4. Contracted pharmacist completes the initial face to face consultation with patient within two weeks after receiving packet.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: DPHHS has partnered with the University of Montana Skaggs School of Pharmacy and Mountain-Pacific Quality Health to contract with local pharmacists to review and discuss the total pharmaceutical regimen of any interested Montanan.

Goals for Montanans:

- An avenue to investigate ways of controlling medication costs and maximizing drug therapies while at the same time deriving additional health benefits from proper and prudent use of medications
- An opportunity to build and strengthen the relationship with their participating community pharmacist. The participating pharmacist is providing medication management recommendations
- An opportunity to improve communication with their healthcare provider
- An opportunity to receive education and support for efforts in taking a more active role in their own healthcare regimen

Performance Criteria and Milestones: Pharmacists involved will provide a comprehensive accounting of all medical conditions and medication therapies giving a complete picture for building personalized treatment plans.

FTE: Existing staff and contracted services

Funding: The program is funded through health and Medicaid initiatives state special revenue (tobacco tax revenue from I-149)

Obstacles: The challenge has been establishing a provider base throughout Montana. A recently completed a survey of potential pharmacists indicated that a number of respondents that plan to participate as providers.
In response to survey findings, HRD is redesigning the certification training to better meet the constraints, both time and

geographical, of pharmacists.

Risks: Many Montanans choose not to take medications as prescribed or never fill their prescriptions because they simply cannot afford them. Montana Pharmassist is dedicated to providing an innovative way to ensure that all Montanans have access to first-rate health care by providing an avenue to investigate ways of controlling medication costs while at the same time deriving additional health benefits from proper and prudent use of medications.

LFD ISSUE

Performance Criteria are Good, but not Measurable

The performance criteria listed are good - pharmacists involved will provide a comprehensive accounting of all medical conditions and medication therapies giving a complete picture for building personalized treatment plans. However, there are no specific measures to determine whether the service is producing a desirable outcome. The objective is directly tied to health services, but there are no measures to determine whether the program is achieving the desired end.

Option
The legislature could ask what information provided by participating pharmacists HRD will review and how the information will be used to assess the program. The legislature could adopt criteria identified by HRD and integrate the measures into the proposal if approved.

Sub-Program Details

DENTAL ACCESS 07

Sub-Program Proposed Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011	Total Exec. Budget Fiscal 10-11
Benefits & Claims	495,759	0	0	495,759	0	0	495,759	991,518
Total Costs	**$495,759**	**$0**	**$0**	**$495,759**	**$0**	**$0**	**$495,759**	**$991,518**
State/Other Special	495,759	0	0	495,759	0	0	495,759	991,518
Total Funds	**$495,759**	**$0**	**$0**	**$495,759**	**$0**	**$0**	**$495,759**	**$991,518**

Sub-Program Description

The Dental Access sub-program was approved by the 2007 Legislature. It is funded from tobacco settlement trust fund interest. The program contracted with Federally Qualified Health Centers (FQHCs) for dental services in FY 2008. Figure 47 shows where HRD contracted to the following cities to pay for dental services for people who were below 200 percent of the federal poverty level.

Figure 47
Dental Access - FY 2008

Location	Amount
Butte	$33,183
Great Falls	13,474
Livingston and Bozeman	15,616
Helena	19,671
Billings	35,343
Libby	28,351
Missoula	37,174
Total	$182,812

In addition, the following entities received grants for specific activities:

- o Butte Community Health Center, $177,950 – Access to dental services for low-income senior citizens on Friday weekdays
- o Livingston County Health Partnership, $333,000 – Initiate dental services by helping fund staff, including a dentist, and remodel the office space
- o Lincoln County Health Center in Libby, $107,000 – Purchase new dental equipment and fund a remodel
- o Yellowstone County Health Department in Billings, $83,518 – Purchase a mobile dental van to provide on-sight dental care for six Billings nursing homes
- o Bullhook Community Health Center in Havre, $185,000 – Establish local access to new oral health services in Hill County for both primary and preventive oral health care
- o Partnership Health Center PHC – Missoula, $100,000 - Increase service capacity by adding operatories, chairs, and staff to increase the number of urgent care days
- o Cooperative Health Center CHC – Helena, $15,000 - Purchase a digital x-ray system

LFD COMMENT

Transferring New Proposal for Dental Services

The legislature could consider allocating the $300,000 general fund request for dental services expansion to this subprogram if it approves the new proposal. The executive budget includes the general fund request in the Medicaid acute services function (DP 11016 Dental Expansion). Some of the general fund requested dental services expansion could be used to pay the state Medicaid match depending on the services procured and the proposal requests only general fund.

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	202.75	202.75	219.55	221.05	202.75	221.05	18.30	9.03%
Personal Services	10,178,952	10,333,951	11,518,655	11,768,591	20,512,903	23,287,246	2,774,343	13.52%
Operating Expenses	6,880,404	7,242,406	7,879,533	7,940,170	14,122,810	15,819,703	1,696,893	12.02%
Equipment & Intangible Assets	230,716	100,165	230,716	230,716	330,881	461,432	130,551	39.46%
Grants	9,089,181	8,671,226	10,905,498	11,022,468	17,760,407	21,927,966	4,167,559	23.47%
Benefits & Claims	210,723,048	236,672,366	236,702,448	242,186,126	447,395,414	478,888,574	31,493,160	7.04%
Transfers	0	0	0	0	0	0	0	n/a
Debt Service	14,003	13,041	15,603	15,603	27,044	31,206	4,162	15.39%
Total Costs	**$237,116,304**	**$263,033,155**	**$267,252,453**	**$273,163,674**	**$500,149,459**	**$540,416,127**	**$40,266,668**	**8.05%**
General Fund	49,990,569	56,228,953	61,243,944	62,764,652	106,219,522	124,008,596	17,789,074	16.75%
State Special	29,734,887	34,092,065	32,689,709	34,001,342	63,826,952	66,691,051	2,864,099	4.49%
Federal Special	157,390,848	172,712,137	173,318,800	176,397,680	330,102,985	349,716,480	19,613,495	5.94%
Total Funds	**$237,116,304**	**$263,033,155**	**$267,252,453**	**$273,163,674**	**$500,149,459**	**$540,416,127**	**$40,266,668**	**8.05%**

Program Description

The Senior and Long Term Care Division (SLTC) plans, administers, and provides publicly-funded long-term care services for Montana's senior citizens and persons with physical disabilities. In addition, the division provides education and support regarding aging and long-term care issues to Montanans of all ages. The division makes services available through six major programs:

1. The Office on Aging provides meals, transportation, public education, information and assistance, long-term care ombudsman and other services;
2. Medicaid Community Services Program pays for in-home, assisted living, and other community-based services to Medicaid-eligible individuals as an alternative to nursing home care;
3. Medicaid Nursing Facility Program pays for care to Medicaid-eligible individuals in 90 Montana nursing homes;
4. Protective services, including the investigation of abuse neglect and exploitation are provided by adult protective services social workers;
5. Skilled nursing facility care is provided to veterans at the 105-bed Montana Veterans' Home (MVH) in Columbia Falls and the 80-bed Eastern Montana Veterans' Home in Glendive; and
6. The State Supplemental Payments Program pays for a portion of the room and board costs for SSI eligible individuals residing in designated residential care facilities.

Statutory References: Aging Services, 52-3-201 et seq., MCA, (Protection Services Act for Aged Persons or Disabled Adults), 52-3-501 et seq., MCA, (Montana Older Americans Act), 52-3-801 et seq., MCA, (Montana Elder and Developmentally Disabled Abuse Prevention Act); P.L.89-75 (Federal Older Americans Act), P.L. 93-66 Section 212, P.L. 93-233 (authorizes states to supplement the Supplemental Security Income Amendments to the (SSI) Payments Program Social Security Act); Veteran's Homes, 10-2-401, MCA (authorizes and establishes Montana Veteran's Homes); 53-1-602, MCA (Eastern Montana Veteran's Home); Medicaid, Title 53, Chapter 6, MCA; Title 19, Social Security Act 42 USC 1396 et. seq. (establishes and authorizes Medicaid Program).

Program Highlights

Senior and Long Term Care Division
Major Budget Highlights

- The 2011 biennium budget is $40.3 million total funds, including $17.8 million general fund, higher than the 2009 biennium budget
- Most of the change between the two biennia is in services costs, which total $31.5 million or 78 percent of the difference
- Compared to 2008 base budget expenditures, the executive request adds $66.4 million over the biennium, including $23.7 million general fund\
- Major present law adjustments include:
  - Medicaid service utilization and eligibility increases ($16.5 million, $5.4 million general fund)
  - Annualization of 2009 biennium provider rate increases to fund healthcare for healthcare workers ($10.3 million total funds, $0.9 million general fund)
  - Increases in the state Medicaid match rate do not change total funds, but add $3.3 million general fund and reduce federal Medicaid matching funds by a like amount
- New proposals add $23.3 million, including $8.8 million general fund to:
  - Expand Medicaid community services ($13.0 million total funds, $4.6million general fund)
  - Raise provider rates by 1 percent ($5.8million total funds, $2.1 million general fund) over the 2011 biennium with implementation October 1 each year
  - Add $1.1 million general fund each year for aging services
- Division goals provide broad policy direction that:
  - Reflect public and legislative priorities
  - Can be used by the legislature to help establish appropriations
- SLTC has met many of the targets established to measure progress toward the goals during the 2009 biennium

Major LFD Issue

- LFD nursing home cost estimates are $0.5million general fund lower over the biennium than the executive request
  - LFD includes reductions in nursing home utilization fee revenue, while the executive budget does not
  - Consideration of changes in the patient contribution may lower general fund costs of the LFD estimate
- The executive budget may be short $1.7 million general fund to support its nursing home caseload estimates
- The executive budget includes $11.0 million total funds ($4.0 million general fund) for unspecified community based service, direct care worker wage, or provider rate increases
- About $1.1 million of cigarette tax state special revenue funding the veterans' homes could be offset by using historic growth rates in Veterans' Administration, Medicaid, Medicare, and patient insurance, potentially increasing the cigarette tax transfer to the general fund
- The goal of reducing the percentage of Medicaid eligible persons under the age of 65 residing in nursing homes may not be met

Program Narrative

The Senior and Long Term Care (SLTC) Division 2011 biennium budget request is $40.3 million higher than the 2009 biennium budget, including increases of $17.9 million general fund, $2.9 million state special revenue, and $19.6 million in federal funds.

The most significant change in the SLTC budget request is the benefits and claims category - a growth of $31.5 million, primarily in Medicaid services. Grant funds rise $4.2 million, partially due to $2.1 million general fund for community aging services to continue most services funded from the $3.0 million in one time appropriations made by the 2007 Legislature.

Personal services rise $2.8 million, partially due to funding for 18.30 new FTE. Most of the new FTE are requested for the Montana Veteran's Home (MVH - 14.30 FTE) and the remaining (4.00 FTE) are new adult protective services social workers. Operating cost increases between the biennia are largely due to cost increases for medical, food, and utility costs at MVH.

Biennial Change less than 2011 Budget Changes

The biennial change is less than the difference between base budget expenditures ($58.5 million) and the executive 2011 biennium budget request. FY 2009 appropriations include Medicaid service utilization and provider rate increases above the FY 2008 level – a 2.5 percent general increase, an increase targeted to direct care worker wages to $8.50 per hour including benefits, and an increase targeted to support the cost of healthcare for healthcare workers. The 2011 biennium present law adjustments bring the base budget up to the FY 2009 level and provide additional funds to continue the level of services authorized by the last legislature.

Executive Budget Request

The major changes in the executive budget are:

- $5.4 million general fund ($16.5 million total funds) for Medicaid utilization, eligibility, and FY 2009 provider rate increases, partially offset by a $4.6 million estimated decline in nursing home utilization
- $5.3 million general fund ($23.2 million total funds) to annualize rate increases and expansions approved by the 2007 Legislature
- $5.1 million general fund ($5.4 million total funds) for a proposed 1 percent annual provider rate increase initiated October 1 of each fiscal year
- $4.0 million general fund ($12.0 million total funds) for unspecified services that might include a direct care worker wage increase, expansion of community waiver services, or other community services
- $3.3 million general fund with an offsetting reduction in federal funds due to state Medicaid match increases
- $3.5 million cigarette tax state special revenue to fund 18.30 new FTE at MVH, reinstate overtime, shift differential and holiday pay removed from base budget costs as well as operating cost increases and inflation for the Montana Veterans' Home (MVH)

Goals and Objectives:

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the Legislative Fiscal Division recommends that the legislature review the following:

- Goals, objectives and year-to-date outcomes from the 2009 biennium
- Goals and objectives and their correlation to the 2011 biennium budget request

Goals monitored for SLTC by the Legislative Finance Committee during the 2009 biennium were:

- Support Montanans in their desire to stay in their own homes or live in smaller community based residential settings for as long as possible
- Increase the ability of Montanans to prepare to meet their own long term care needs or the long term care needs of a relative or a friend

Some of the outcome measures used to evaluate progress toward the goals were:

- In 2008, 94.8 percent of all Montanans age 65 or older lived in community settings, compared to 94.6 percent in 2007
- In FY 2007, 27 percent of the SLTCD budget funded community service programs compared to 25 percent in 2006. FY 2008 info is not complete as of this date for all of the programs that support this benchmark
- In FY 2008, 2,106 individuals were served under the HCBS waiver in 1,697 slots as compared to 2,019 individuals served in FY 2007
- The average length of stay on the HCBS waiver waiting list was 179 days in FY 2008 compared to 277 days in 2007 and 280 days in 2006
- 625,603 home delivered meals were provided in FY 2007 compared to 630,371 in 2006. While funding increased in the aging services programs the cost to produce and deliver a meal increased as well resulting in stable utilization data
- The number of individuals taking the elderly /dependent tax credit on state tax returns increased from 50 in 2005 to 55 in 2006
- The number of individuals claiming the long term care insurance tax deduction on state income tax returns increased from 10,624 in 2005 to 11,799 in 2006

LFD COMMENT

Far Reaching Program Goals and Good Measures to Track Progress

The SLTC program goals call for outcomes that most elderly and physically disabled persons would desire – the ability to live as independently as possible and to provide for their own care. The legislature has also exhibited support for such outcomes in funding new and expanded community programs and enacting model legislation for long term care insurance. The goals also attempt to encourage persons to plan for and fund to the greatest extent possible their own long term care, stretching the public dollar to provide the most community services to the most persons.

SLTC goals are superior because the goals express broad directions and outcomes to guide program development and administration. The measures adopted to evaluate progress toward the goals are specific, measurable, time-bound and provide the information the legislature can use to help establish appropriations.

LFD COMMENT

SLTC on Track to Meet Target of Transitioning 25 Persons Under 65 to Community Waiver Services

The Health and Human Services Joint Appropriation Subcommittee requested that a specific measure - the percentage of Medicaid eligible persons under 65 living in nursing homes - be added to those presented by SLTC during 2007 legislative appropriation hearings. The subcommittee wanted to evaluate whether Medicaid eligible persons under 65 living in nursing homes were being actively transitioned to community services. Testimony presented during the hearings identified 431 persons under 65 who resided in nursing homes – about 13 percent of the total Medicaid nursing home population. The specific SLTC objective that measures transitioning "under 65'" from nursing homes to waiver services is:

> Maintain or reduce the percentage of nursing facility residents under age 65 by targeting at least 25 individuals each biennium who are under age 65 for transition to community placements with "money follows the person" funding approaches.

SLTC is on track to meet its minimum target. As of October 2008, 14 individuals under the age of 65 had transitioned from nursing home to waiver services, with 10 transitioning in FY 2008. Legislative staff has asked SLTC to provide an update on the number of "under 65" transitions during 2009 appropriation hearings.

LFD COMMENT (CONT.)

Waiver services for persons transitioned from skilled nursing facilities are funded by moving appropriations from skilled nursing services to waiver services, a concept known as "money follows the person". This funding mechanism shifts more funds (and potentially more persons) to waiver services over the biennium than anticipated in legislative appropriation action. The 2007 Legislature was aware of that potential and did not restrict nursing home transitions to the waiver in any way.

LFD ISSUE

Percentage of Under 65 in Nursing Homes is Slightly Higher

One of the targets expressed by SLTC was to reduce the percentage of Medicaid eligible persons under 65 living in nursing homes. The SLTC presented data to the Legislative Finance Committee workgroup monitoring DPHHS goals and outcomes in October 2008. While SLTC is on track to transition 25 persons, the data indicate a slight increase in the percentage of Medicaid eligible persons under the age of 65 who are living in nursing homes – starting at 13.0 percent in 2006, dropping slightly to 12.9 percent then increasing to 13.6 percent in 2008. SLTC measures the number of persons under 65 in nursing homes at a single point in time, which might not be representative over an entire year.

Legislative Options

The legislature may wish to review SLTC progress toward reducing the percentage of persons under 65 who receive Medicaid skilled nursing services. Transitioning a minimum number of 25 persons may not reduce the percentage of those living in nursing homes. The legislature could consider several alternatives depending on information presented by SLTC during appropriation hearings. If the percentage of "under 65's" increases or remains stagnant, the legislature could ask SLTC to:

- Identify road blocks to lowering the percentage of persons in Medicaid skilled nursing services
- Develop and present:
    - A higher numeric target for the 2011 biennium to reduce the number of Medicaid persons under 65 living in a nursing home
    - A specific plan to achieve the target, including milestones and objectives

Also, the legislature may wish to request that the Legislative Finance Committee track implementation of the plan and progress toward the goal during the 2011 biennium.

LFD COMMENT

Total Increase in Waiver Services

The 2007 Legislature funded an additional 100 slots for community based waiver services. Typically, a "slot" provides services to more than one person. In FY 2008, about 1.2 persons were served per waiver slot funded. The increase in waiver slots was funded in part to reduce the waiting list for waiver services. SLTC presented a target to maintain the time on the waiting list at less than one year. During the 2007 session the average length of wait for services was 280 days. SLTC estimated that there were about 600 persons on the waiting list, which historically ranged from 450 to 600.

LFD ISSUE

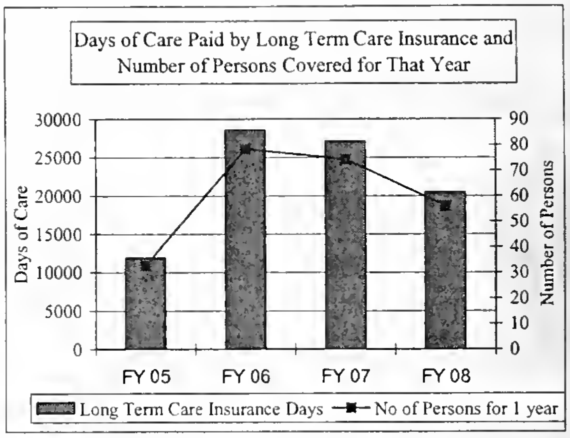
Measuring the Number of Persons Claiming Long Term Care Insurance Tax Credits May not be Sufficient Indicator

The number of persons taking the income tax credit for purchasing long term care insurance is one of the measures adopted by SLTC to measure progress toward the goal of increasing the ability of Montanans to prepare to meet their own long term care needs or the long term care needs of a relative or a friend. While this measure indicates growth in the number of persons claiming the tax credit, by itself it may not provide an accurate picture.

LFD ISSUE (CONT.)

Figure 48 shows the number of days of skilled nursing care reimbursed by long term care insurance and the annual number of persons that could be provided services based on those payments. The days of care and number of persons served more than doubled between FY 2005 to FY2006. Since then the days of care and number of persons has steadily declined, falling about 24.5 percent.

Figure 48



The legislature may wish to ask SLTC whether long term care insurance payments for skilled nursing should also be tracked and evaluated. The legislature may also wish to ask SLTC why the number of days of care paid for are declining. For example, do long term care insurance products include sufficient inflation protections? Are other services, such as in home or assisted living, are being paid for instead of skilled nursing?

The 2007 Legislature enacted model legislation for long term care insurance so that SLTC could implement a long term care partnership model. This option was formerly available only through a Medicaid waiver, but is now a part of allowable Medicaid state plan eligibility. The initiative allows states to waive consideration of $1 in assets for every $1 of credible long term care insurance in determining a person's Medicaid eligibility. The insurance pays for care that would otherwise be funded by a family reducing assets and it reduces potential Medicaid liability.

Implementation of the long term care partnership model has been delayed. Both the State Auditor as Insurance Commissioner and DPHHS need to promulgate rules to implement the program. A Medicaid state plan amendment must be submitted to the Centers for Medicare and Medicaid Services (CMS) and an administrative rule change for eligibility rules must be completed. DPHHS plans to file rules by December 2008 and implement the partnership model by July 2009.

Legislative Options:
The legislature may wish to ask SLTC how it will evaluate the outcomes of the long term care partnership model. While insurance reimbursement for the number of days of skilled nursing care may be one measure, the division may also want to measure payments for other types of long term care services as well.

The legislature may also wish to discuss with SLTC other measures that would indicate whether long term care insurance was being purchased and other ways to determine what is might be funding. The legislature may also with to ask when the long term care partnership will be fully implemented.

SLTC Budget Request by Major Function
Although the division administers both Montana veterans' homes, the majority of its 2011 biennium budget request (89 percent) funds benefits and claims – direct services to eligible persons. Figure 49 shows the SLTC base budget compared to the 2011 biennium budget request.

Figure 49

Senior and Long-Term Care Division 2008 Base Budget Expenditures and 2011 Beinnium Budget Request by Major Function and Service

Function and Benefits and Grants	FY 2008 Base Budget General Fund	FY 2008 State Special	FY 2008 Federal	FY 2008 Total	FY 2010 Executive Budget Request General Fund	FY 2010 State Special	FY 2010 Federal	FY 2010 Total	FY 2011 Executive Budget Request General Fund	FY 2011 State Special	FY 2011 Federal	FY 2011 Total	% of Total SLTC
Division Administration	$229,289	$74,277	$210,125	$513,691	$285,909	$90,826	$356,887	$733,622	$299,168	$95,931	$372,041	$767,140	0.3%
Medicaid Services	44,256,351	22,249,457	145,517,970	212,023,778	53,873,074	23,397,999	161,090,417	238,361,490	55,196,884	24,509,480	164,098,001	243,804,365	89.3%
Aging Services*	3,701,870	0	7,299,802	11,001,672	5,110,812	0	7,502,594	12,613,406	5,282,037	0	7,503,989	12,786,026	4.7%
Veterans' Homes	0	7,092,961	3,978,502	11,071,463	0	8,736,780	3,969,735	12,706,515	0	8,840,639	4,020,793	12,861,432	4.7%
Adult Protective Srvcs	1,803,059	318,192	384,449	2,505,700	1,974,149	464,104	399,167	2,837,420	1,986,563	555,292	402,856	2,944,711	1.1%
Total Division	$49,990,569	$29,734,887	$157,390,848	$237,116,304	$61,243,944	$32,689,709	$173,318,800	$267,252,453	$62,764,652	$34,001,342	$176,397,680	$273,163,674	100.0%
Percent of Total Budget	21.1%	12.5%	66.4%	100.0%	22.9%	13.0%	65.5%	100.0%	21.6%	13.1%	65.3%	100.0%	
Veterans' Homes													
Montana Vets' Home	$0	$5,640,906	$2,004,300	$7,645,206	$0	$8,438,942	$2,524,557	$10,963,499	$0	$8,542,419	$2,575,615	$11,118,034	4.1%
Eastern Vets' Home	0	308,893	1,123,253	1,432,146	0	297,838	1,445,178	1,743,016	0	298,220	1,445,178	1,743,398	0.6%
Subtotal Vets' Homes	$0	$5,949,799	$3,127,553	$9,077,352	$0	$8,736,780	$3,969,735	$12,706,515	$0	$8,840,639	$4,020,793	$12,861,432	
Percent of Total Budget	0.0%	2.5%	1.3%	3.8%	0.0%	69.4%	30.6%	100.0%	0.0%	69.8%	30.2%	100.0%	4.7%
Benefits													
Medicaid													
Nursing Homes	$26,679,429	$17,459,690	$96,516,693	$140,655,812	$30,305,900	$17,484,941	$101,145,969	$148,936,810	$30,890,288	$17,484,941	$101,173,457	$149,548,686	54.7%
IGT	0	1,708,234	3,719,902	5,428,136	845,412	1,673,022	3,452,757	5,971,191	845,412	1,843,131	3,722,804	6,411,347	2.3%
Home Based Services	8,570,540	1,625,654	22,278,031	32,474,225	13,356,445	2,394,149	32,518,864	48,269,458	13,346,053	3,335,510	33,925,554	50,607,117	18.5%
Waiver Services*	7,932,661	1,447,528	20,474,996	29,855,185	8,255,772	1,837,193	21,395,343	31,488,308	9,004,582	1,837,193	22,697,104	33,538,879	12.3%
Nurse Aide Testing	155,313	0	155,313	310,626	155,313	0	155,313	310,626	155,313	0	155,313	310,626	0.1%
State Supplement	963,100	0	0	963,100	990,091	0	0	990,091	1,033,507	0	0	1,033,507	0.4%
Adult Protective Services	38,365	0	0	38,365	38,365	0	0	38,365	38,365	0	0	38,365	0.0%
Institutional - MVH	0	0	997,599	997,599	0	0	997,599	997,599	0	0	997,599	997,599	0.4%
Subtotal Benefits*	$44,339,408	$22,241,106	$144,142,534	$210,723,048	$53,947,298	$23,389,305	$159,665,845	$237,002,448	$55,313,520	$24,500,775	$162,671,831	$242,486,126	88.8%
Percent of Total Budget	18.7%	9.4%	60.8%	88.9%	21.6%	10.6%	67.8%	100.0%	21.2%	10.6%	67.4%	100.0%	
Grants*													
Aging Grants	$2,490,249	$0	$87,598,932	$90,089,181	$3,852,671	$0	$6,752,827	$10,605,498	$3,969,641	$0	$6,752,828	$10,722,469	3.9%
Percent of Total Budget	1.1%	0.0%	36.9%	38.0%	21.6%	10.6%	67.8%	100.0%	21.2%	10.6%	67.4%	100.0%	

*Waiver services include $300,000 that was reallocated from grants to benefits.

**Aging grants do not include the one time appropraiton of $1.5 million general fund each year of the 2009 biennium approved by the 2007 Legislature.

Medicaid benefits, and in particular skilled nursing, are the majority of the division budget request, rising $17.2 million ($7.8 million general fund) compared to base expenditures. Skilled nursing services are the single largest Medicaid service expenditure, followed by inpatient hospital services.

The appropriation for the county intergovernmental transfer (IGT) is listed separately. Counties that fund county nursing homes transfer revenues to DPHHS. The county funds are used as state match to draw down additional federal Medicaid matching funds and raise nursing home rates. The rate increases funded by IGT are considered one time by the legislature, and continue only so long as counties participate and federal regulations allow the funding mechanism to be used.

Home based services include personal assistance, hospice, and home health. Personal assistance is the most significant of the three services accounting for over 85 percent of FY 2008 expenditures. Home based services grow due to:

1. Projected growth in service utilization and the number of persons eligible as well as annualization of 2009 provider rate increases $11.7 million total funds ($3. 8 million general fund);
2. Annualization of the provider rate increase to fund healthcare for healthcare workers, which was approved and funded by legislative initiative in the 2007 session ($0.9 million general fund, $10.3 million total funds); and
3. A new proposal for $11.0 million total funds ($4.0 million general fund) for unspecified services, which may include waiver expansion, direct care worker wage increases, or other community services

The appropriation for healthcare for healthcare workers was restricted to rate increases for contractors that provide in-home services administered by SLTC and receive the majority of their income for those services from the Medicaid program. Providers accepting the rate increase must fund health insurance that meets certain bench marks for employees working a designated number of hours. SLTC estimates that about 750 workers will be covered in the 2011 biennium at a cost of $495 to $545 per month. DP 22202 Healthcare for healthcare workers (Medicaid Services Subprogram) includes a more detailed discussion of the rate increase to fund health insurance.

Skilled nursing and home-based services are an entitlement, meaning that if a person meets Medicaid eligibility criteria (briefly described in the agency overview) and the service is medically necessary, then the state must pay for the service.

The home and community based waiver provides community services for aged and physically disabled persons who meet nursing home or hospital level of care requirements. The waiver allows DPHHS to limit enrollment in the services and to provide services that are not included in the standard array of allowable Medicaid services. Annualization of the 2009 biennium provider rate increase and growth in waiver slots adds $1.2 million funds ($0.7 million general fund). The adjustment reduces general fund by $1.1 million general fund, and raises health and Medicaid state special revenue by a like amount to reflect FY 2009 legislative appropriations for the waiver expansion. A provider rate increase and a 2011 expansion in the waiver add $2.8 million total funds ($0.9 million general fund).

Although the increase in the state Medicaid match rate discussed in the summary section does not change total funding for any of the Medicaid services administered by SLTC, it does add $3.3 million general fund with a like reduction in federal funds in the 2011 biennium. The state Medicaid match rate rises gradually from 31.41 percent in FY 2008 to an estimated 32.97 percent in FY 2011.

Other benefits remain relatively constant over the 2011 biennium compared to the FY 2008 base budget.

- State supplement payments from the general fund are made to persons eligible for federal Supplemental Security Income (SSI) payments living in certain congregate living situations such as group homes
- Nurse aide testing provides funds to ensure aides meet certain qualifications to work in nursing homes
- Adult protective services aides victims of elder abuse, funding such services as cleaning and temporary lodging

Grants fund community aging services such as meals on wheels, congregate meals, information and assistance, and care giver support. The funds are distributed to the 11 Area Agencies on Aging and those agencies deliver community services in their respective regions.

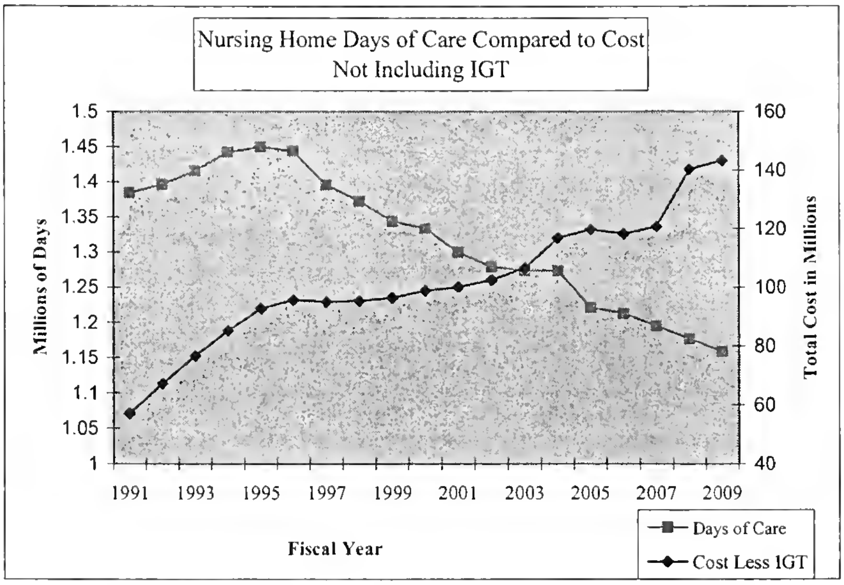
2011 Biennium Skilled Nursing Costs

Skilled nursing services are about 20 percent of total DPHHS Medicaid expenditures, the largest service expenditure of the Medicaid program. In comparison, the inpatient hospital services are the second most expensive with about 16 percent of the total. However, the daily rate for inpatient hospital services is about seven times higher than skilled nursing care.

The number of days of skilled nursing care reimbursed through the Medicaid program has steadily declined over the last several years, although total cost has not. Figure 50 shows the days of care and total Medicaid cost for skilled nursing services.

From FY 2000 through FY 2008 the number of days of Medicaid skilled nursing care declined an average of 1.8 percent per year. In the most recent two years (FY 2006 to FY 2008) the decline jumped to 2.4 percent, a 40 percent change. The decline in Medicaid funded days of care follows a general trend in nursing home care statewide. Movement of persons out of nursing homes into community waiver services has also contributed to overall declines in Medicaid funded skilled nursing care.

Figure 50



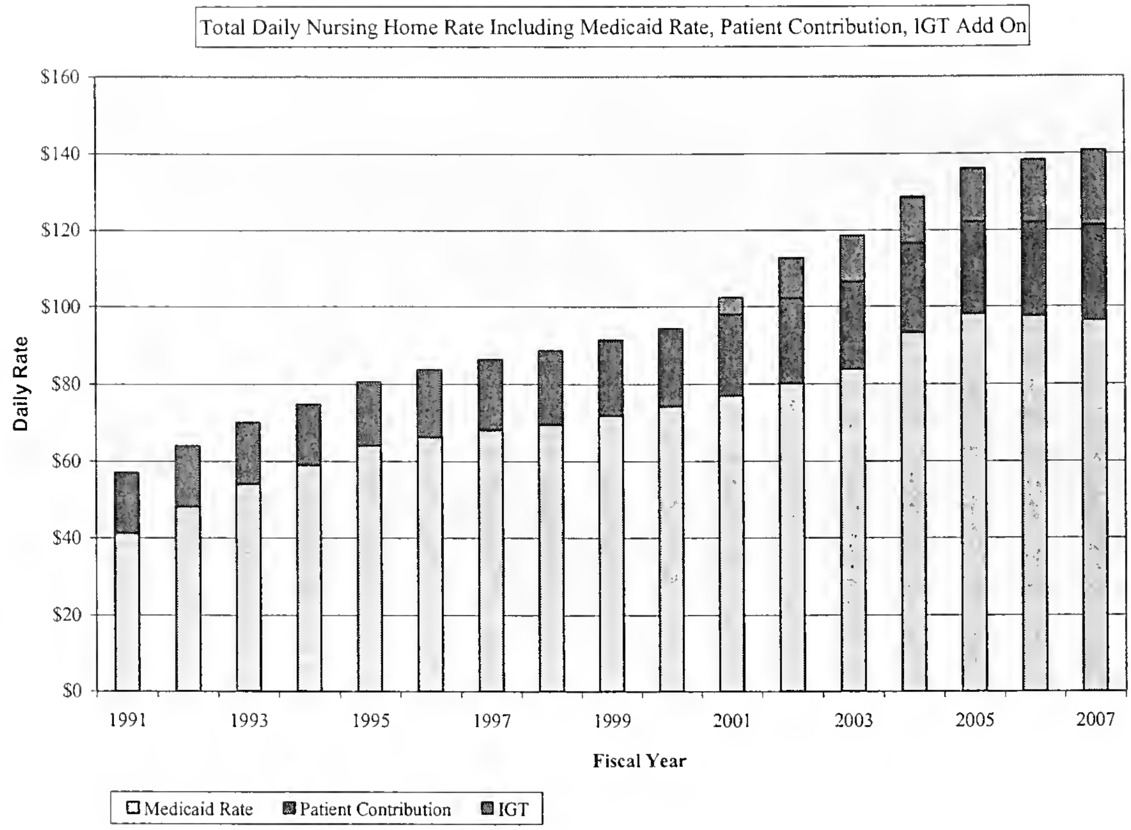
Nursing home occupancy rates have declined gradually over the last 10 to 15 years. Recently occupancy rates have hovered in the 72 to 73 percent range over the last several years. Historically, Medicaid occupancy has averaged around 60 percent of total nursing home occupancy.

Despite the reduction in days of care, the total cost of skilled nursing care has continued to rise. The total cost of care rose an average of 4 percent from FY 2000 to FY 2008 and 7.8 percent annually from FY 2006 to FY 2008.

The cost of care has risen for a number of reasons. Skilled nursing facilities care for more medically complex and fragile persons, have implemented processes and procedures to meet federal Medicaid and Medicare regulations, compete with other medical providers for nursing staff, and must sometimes hire "traveling" staff at significantly higher amounts.

The Medicaid rate for skilled nursing care has steadily increased in recognition of medical complexity and the rising cost of services. Figure 51 shows the daily Medicaid rate for skilled nursing care from FY 1991 through the FY 2009 budget request. FY 2008 and FY 2009 rates increased more rapidly than others due to a general provider rate increase of 2.5 percent annually and a rate increase targeted to raise direct care worker wages up to $8.50 per hour (including benefits).

Figure 51



The Medicaid rate for skilled nursing services has two major components: the state/federal share, and the patient contribution. The state/federal share was 82.7 percent of the total rate in FY 2008, and is funded by state and federal Medicaid funds. The patient contribution, which would include Social Security, other retirement fund payments, and other personal assets, is paid directly to the nursing home and covers a portion of the cost. As shown in Figure 50 the state and federal portion of the total rate has risen much faster than the average daily patient contribution, which has increased about 3.3 percent per year from FY 2004 through FY 2008.

LFD ISSUE

Medicaid Nursing Home Costs

The LFD estimates for skilled nursing costs are lower over the 2011 biennium than the executive budget request by $7.3 million total funds, including $0.5 million general fund (Figure 51) Compared to the executive budget, the LFD estimate has:

- In FY 2012, a slightly lower state/federal share of the daily rate based on the FY 2009 rate funded by the legislature
- A lower number of days of care
- A reduction in the amount of nursing home utilization fee state special revenue due to the reduction in the number of days of care statewide

LFD ISSUE (CONT.)

Figure 52 shows a comparison of the executive skilled nursing estimate and the LFD estimate. The executive assumes that the number of days of care will decline by 0.75 percent per year from base budget levels. The LFD assumes that the decline will average 1.5 percent, about 60 percent of the annual decline from FY 2006 through FY 2008.

Figure 52
Funding for Executive and LFD Estimates
2011 Beinnium Nursing Home Caseload Costs

	Executive Budget		LFD Estimate	
Fund and Present Law .	FY 2010	FY 2011	FY 2010	FY 2011
General Fund	$29,941,549	$30,021,640	$29,629,579	$29,799,337
State Special Revenue	17,484,941	17,484,941	17,382,122	17,280,330
Federal Funds	100,389,584	99,407,443	97,595,192	95,715,805
Total Funds	$147,816,074	$146,914,024	$144,606,893	$142,795,472
Projected Days	1,138,474	1,129,935	1,121,732	1,107,681
Cost per Day	$129.84	$130.02	$128.91	$128.91
LFD Over (Under) Executive				
General Fund			($311,970)	($222,303)
State Special Revenue			(102,819)	(204,611)
Federal Funds			(2,794,392)	(3,691,638)
Total			($3,209,181)	($4,118,552)

The LFD used a smaller rate of decline in the number of bed days than the average 2.5 percent reduction in the most recent two years. Part of the reduction in nursing home days is due to persons transitioning from nursing home services to waiver services as well as persons funding more of the cost of care for community alternatives, such as independent living. If the legislature funds an expansion of the waiver, a larger decline in days of care could be considered.

Base year Medicaid costs will not be final until June 2009. As new claims are paid and previous claims are adjusted, FY 2008 and FY 2009 year to date costs will fluctuate. Medicaid cost estimates will be updated in February 2009 to reflect the most recent cost data.

Daily Rate for 2011 Biennium Declines Despite Fewer Number of Days

The executive budget daily rate for nursing home care declines from the FY 2009 amount paid despite the reduction in bed days anticipated. Figure 52 shows executive budget rates for the 2011 biennium compared to FY 2008 and FY 2009. LFD staff has requested that information be updated for presentation during the 2009 session showing the estimated final rate for FY 2008, the estimated FY 2009 rate, and the 2011 daily rates used in the executive budget. The LFD has also requested updated estimates of the daily patient contribution over the same time period.

Figure 53
State/Federal Share of Nursing Home Daily Rate to FY 2011
Executive Budget

Rate	FY 2008	FY 2009*	Percent Change	FY 2010	FY 2011
Budgeted*	$126.46	$128.91	1.9%	$130.71	$129.87
Paid/Established**	126.56	132.00	4.3%		
Percent Difference	0.1%	2.4%		-1.0%	-0.6%

The budgeted rate was taken from SLTC caseload estimates.
**FY 2009 state/federal share of the rate was set at the beginning of the year and could differ from the state/federal share amount of the actual rate.

The total general fund requirement to fund each estimate of the state federal share of the nursing home payment is listed in Figure 53. The LFD estimate is $0.5 million general fund lower over the biennium than the executive budget request, due to the cumulative effects of a lower number of bed days, and a lower daily rate in FY 2011.

Declines in Nursing Home Utilization Fee

Both cost estimates apply each state special revenue source to the total state match required, netting to the annual general fund cost. The LFD and SLTC agree on all state special revenue sources except the nursing utilization fee. The LFD estimates include a reduction in the nursing home utilization fee of about $300,000 over the biennium compared to the executive budget request. The estimate of the fee income will be updated during legislative consideration of the SLTC budget request.

General Fund Executive Budget Request for Nursing Home Care Appears to be too Low

The executive budget request appears to be about $1.7 million too low in its general fund request for nursing home costs. DPHHS is aware of this aberration and will address funding with the legislature when it convenes.

LFD ISSUE (CONT.)

Patient Contribution

The LFD analysis does not address differences in the estimate of patient contribution, due in part to the potential funding error in the executive budget. Both the LFD and SLTC will present estimates of the patient contribution for the 2011 biennium. The patient contribution could also be revised once Social Security cost of living adjustments are known. If the patient contribution continues to increase, the legislature could decide to offset some state funds.

Legislative Options

There are several decision points for the legislature to consider in establishing the appropriation for Medicaid nursing home services. The legislature could:

1. Accept either the LFD estimate or executive estimate without change, or
2. Select its own combination of variables to determine an appropriation, which could include the:
   a. LFD or SLTC estimate of days of care
   b. FY 2009 appropriated rate or actual rate paid
   c. LFD or SLTC patient contribution

No matter which nursing home caseload estimate the legislature adopts it also needs to make decisions about two issues that affect the level of general fund appropriated – the nursing home utilization fee and the amount of the patient contribution. The nursing home utilization fee is a direct offset to general fund, but is estimated to decline during the 2011 biennium. Changes in the patient contribution can either be passed through to nursing homes or can be used to offset a portion of the state match.

The legislature could also decide whether to provide direction regarding future rate increases either through discussions with agency staff during appropriations hearings or through contingency language in the appropriations act addressing allowable rate increases. While verbal discussions establish legislative expectation, nothing in the discussion is binding upon the agency. Agency staff may agree to proceed in a specific manner, but they are subject to legal requirements and gubernatorial direction, which may differ from verbal testimony.

Funding

SLTC is funded by general fund, state special revenue, and federal funds. General fund is about 21 percent of the base budget funding rising to 23 percent of the FY 2011 request. General fund rises due to the increase in the state Medicaid match rate, provider rate increases, and growth in Medicaid costs.

Program Funding Table
Senior & Long-Term Care

Program Funding		Base FY 2008	% of Base FY 2008		Budget FY 2010	% of Budget FY 2010		Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	$	49,990,569	21.1%	$	61,243,944	22.9%	$	62,764,652	23.0%
01100 General Fund		49,990,569	21.1%		61,243,944	22.9%		62,764,652	23.0%
02000 Total State Special Funds		29,734,887	12.5%		32,689,709	12.2%		34,001,342	12.4%
02023 Private Ins. Medicaid Reim.-Ve		3,873,671	1.6%		4,841,870	1.8%		5,023,533	1.8%
02032 Vets-I&I Lease		11,809	0.0%		4,995	0.0%		4,996	0.0%
02053 Medicaid Nursing Home Match		2,538,203	1.1%		2,502,991	0.9%		2,673,100	1.0%
02260 Cigarette Tax Revenue		3,281,758	1.4%		3,980,741	1.5%		3,908,041	1.4%
02497 6901-Lien & Estate - Sltcd		915,991	0.4%		1,061,903	0.4%		1,153,091	0.4%
02772 Tobacco Hlth & Medicd Initiative		7,991,308	3.4%		8,424,719	3.2%		8,424,719	3.1%
02783 6901-Traumatic Brain Injury Dn		8,351	0.0%		8,694	0.0%		8,705	0.0%
02987 Tobacco Interest		831,850	0.4%		1,581,850	0.6%		2,523,211	0.9%
02990 69010-Nursing Home Utilization		10,281,946	4.3%		10,281,946	3.8%		10,281,946	3.8%
03000 Total Federal Special Funds		157,390,848	66.4%		173,318,800	64.9%		176,397,680	64.6%
03005 Emvh V-A Nursing Reimbursement		1,445,166	0.6%		1,445,178	0.5%		1,445,178	0.5%
03073 Aging - Farmers Market		42,643	0.0%		101,920	0.0%		101,920	0.0%
03108 Alzheimer Demonstration Grant		-	-		-	-		-	-
03112 Vets-V.A. Reimb		2,435,087	1.0%		2,417,835	0.9%		2,466,734	0.9%
03456 69010-Aoa Aging One-Stop Shop		-	-		-	-		-	-
03460 6901 - Csb Independence Plus		-	-		-	-		-	-
03501 64.014 - Vets St. Domic Care 1		98,249	0.0%		106,722	0.0%		108,881	0.0%
03514 10.570 - Elderly Feeding 100%		809,097	0.3%		809,097	0.3%		809,097	0.3%
03515 93.041 - Elder Abuse Prev 100%		10,796	0.0%		25,028	0.0%		25,028	0.0%
03516 93.042 - Ombudsman Activity 10		76,618	0.0%		77,106	0.0%		77,106	0.0%
03517 93.043 - Preventive Hlth 100%		104,078	0.0%		104,078	0.0%		104,078	0.0%
03518 93.044 - Aging Sup S & Train 1		1,807,230	0.8%		1,841,987	0.7%		1,847,321	0.7%
03519 93.045 - Aging Meals 100%		2,872,675	1.2%		2,969,941	1.1%		2,970,397	1.1%
03537 93.779 - Hlth Info Counseling		272,103	0.1%		282,526	0.1%		282,824	0.1%
03579 93.667 - Ssbg - Benefits		296,812	0.1%		295,759	0.1%		295,678	0.1%
03580 6901-93.778 - Med Adm 50%		1,610,472	0.7%		1,807,111	0.7%		1,822,861	0.7%
03583 93.778 - Med Ben Fmap		144,142,534	60.8%		159,665,845	59.7%		162,671,831	59.6%
03666 Aging - Caregiver Iii-E		769,223	0.3%		780,678	0.3%		780,757	0.3%
03799 6901-Older Worker Program		598,065	0.3%		587,989	0.2%		587,989	0.2%
03976 Hcsb - Tbi Planning - 93.234A		-	-		-	-		-	-
Grand Total	$	237,116,304	100.0%	$	267,252,453	100.0%	$	273,163,674	100.0%

State special revenue remains relatively constant, comprising 13 percent of total base funding and rising slightly to 14 percent in FY 2011. Most state revenue sources are used as state match for Medicaid services. Nursing home utilization fee revenue ($8.30 per bed per day) is the most significant source of state match providing 4 percent of FY 2011 funding. Some of the fee revenue is deposited to the general fund and most of the fee ($5.50 per day) is deposited to the state special revenue account.

Other significant sources of state match are:

- Health and Medicaid initiative tobacco tax revenue – 2 percent of total division funding
- County intergovernmental transfer income (Medicaid nursing home match) – 0.8 percent of total funding

Health and Medicaid initiative state special revenue supports Medicaid provider rate increases and expansion of the community services waiver authorized in the 2005 and 2007 legislative sessions. The fund is discussed in the agency overview because it supports Medicaid and health services throughout the department as well as health insurance programs administered by the State Auditor.

County intergovernmental transfer revenue (IGT) is used as state match to draw down additional federal funds to augment payments to nursing homes for Medicaid eligible services. The revenue source is declining largely due to federal regulations limiting the use of Medicaid payments received from transfer revenue as well as new upper payment limits for skilled nursing facilities (either the state Medicaid rate or actual cost). Montana has one of the few federally approved intergovernmental transfer programs in the western region. Rate increases funded by IGT revenue are considered one time and not continuing.

Lien and estate funds are reimbursements from estates of persons who received Medicaid services (53-6-143, MCA). The funds are used to support Adult Protective Services (APS) and a small portion of nursing home Medicaid match.

Cigarette tax revenue, veterans' interest and income, and private insurance, Medicare, and Medicaid reimbursement for services support the Montana veterans' homes and account for a total of 1.4 percent of the FY 2011 budget. Donations for traumatic brain injury programs are the only other state special revenue that is not used as Medicaid match.

Cigarette Tax Revenue

Figure 54 shows the estimated fund balance in the cigarette state special revenue account allocated to veterans and the projected transfer to the general fund. Statute requires that amounts in excess of $2.0 million in the veterans' portion of the cigarette tax fund be transferred to the general fund at fiscal year end.

Figure 54
Cigarette Tax Fund Balance Supporting Veterans' Services

Fund Balance Deposits/Expenditures	Actual FY 2008	Appropriated FY 2009	Executive Request FY 2010	Executive Request FY 2011
Beginning Fund Balance*	$10,474,759	$2,190,236	$2,000,000	$2,000,000
Revenue/Transfers In**				
Cigarette Tax	$6,626,059	$6,694,000	$6,758,000	$6,824,000
Other Deposits	7,586			
Expenditures				
Veterans' Homes Operations				
Montana Veterans' Home	$2,947,623	$3,284,652	$3,592,077	$3,513,890
Eastern Montana Veterans' Home	259,858	307,119	297,638	258,220
Long-Range Building***				
Montana Veterans' Homes	3,198,585	2,078,049	2,395,050	1,124,000
DPHHS Cost Allocated Admin.	206,163	255,642	317,047	387,749
Division Administrative Cost	74,277	48,845	90,826	95,931
Pay Plan and Retirement Costs	0	181,172	0	0
Subtotal Expenditures	$6,686,506	$5,974,307	$6,692,638	$5,379,790
Annual Rate of Increase		-10.7%	12.0%	-19.6%
Transfer to General Fund	($8,224,076)	($909,929)	($65,362)	($1,444,210)
	$0	$0	$0	$0
Ending Fund Balance	$2,190,236	$2,000,000	$2,000,000	$2,000,000

*Statute requires that unexpended cash balances in excess of $2 million be deposited to the general fund. Fund balances include other adjustments and may not equal cash balances.
**Revenue based on estimates adopted by the Revenue Oversight Taxation and Transportation Committee. Expenditures are based on executive budget request. Estimated expenditures also include indirect costs allocated across DPHHS.
***Long range building projects include amounts that are included in the fund balance report as well as the 2011 biennium long range building program.

FY 2008 expenditures were in excess of annual revenues, with long range building projects nearly half the total. Building projects, primarily for MVH, remain a major expenditure at over $2.0 million in both FY 2009 and FY 2010.

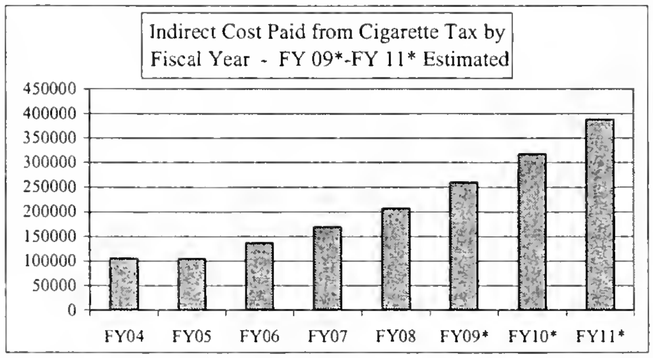
MVH costs rise from $2.9 million in FY 2008 to $3.5 million in the FY 2011 request. Eastern Montana Veterans' Home contract amounts remain relative stable at about $260,000 in FY 2008, declining to $258,000 in FY 2011.

Amounts paid for indirect costs, DPHHS centralized services, and some statewide centralized services continue to rise, from $206,000 in FY 2008 to an estimated $388,000 in FY 2011.

LFD ISSUE Indirect Costs are Rising in Excess of 20 Percent per Year

In four of the last five years, the amount withdrawn from the veterans' cigarette tax fund for overhead costs has grown at rates in excess of 20 percent per year. Overhead or indirect costs support department wide administrative functions such as accounting, budgeting, personnel and the director's office. The costs of some statewide services provided by the Department of Administration such as warrant writing and SABHRS (state accounting system) maintenance are also included in the indirect cost allocation. Figure 55 shows the indirect costs allocated to the fund from FY 2004 through the LFD estimate in FY 2011.

Figure 55



The legislature enacted 17-1-106 MCA in the August 2002 special session. This statute prohibits agencies from waiving or otherwise forfeiting recovery of indirect costs that are allowable program costs funded by state special revenue and federal funds. Agency indirect and administrative costs must be claimed first from nongeneral fund sources and direct program costs must be claimed last. Enactment of this statute is not the sole reason that indirect costs are rising, but it has had an impact.

Clearly, the legislature wanted nongeneral fund to be maximized in support of overhead/indirect costs. However, the rapid growth of indirect costs is limiting the funds for direct program services, and in the cigarette tax state special revenue fund, the indirect cost growth is limiting deposits to the general fund. The legislature may have a difficult time evaluating whether direct program services should be curtailed in order to pay indirect costs when indirect cost amounts are not known. If program impacts are known when the legislature is establishing appropriations it can chose which program reductions to implement or to appropriate another fund source, most likely general fund, to prevent program cut backs.

Legislative Options

The issue of significant increases in indirect costs was identified in the 2009 biennium budget analysis as well and it is also discussed in relation to the alcohol tax state special revenue fund in the Addictive and Mental Disorders Division. The legislature may wish to request that legislative staff review indirect costs allocated to state special revenue accounts to determine cost drivers and to determine whether programs funded by indirect cost allocation are growing at rates disproportionate to other programs or if the amount of allowable cost allocated expenses exceeds the limits of some funding sources and uncompensated costs in other programs are being shifted to open ended nongeneral fund sources.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	49,990,569	49,990,569	99,981,138	80.62%	237,116,304	237,116,304	474,232,608	87.75%
Statewide PL Adjustments	186,166	231,176	417,342	0.34%	38,563	97,018	135,581	0.03%
Other PL Adjustments	7,361,638	7,421,286	14,782,924	11.92%	20,555,362	22,217,624	42,772,986	7.91%
New Proposals	3,705,571	5,121,621	8,827,192	7.12%	9,542,224	13,732,728	23,274,952	4.31%
Total Budget	**$61,243,944**	**$62,764,652**	**$124,008,596**		**$267,252,453**	**$273,163,674**	**$540,416,127**	

Base budget expenditures are 88 percent of the total FY 2011 budget request and 80 percent of the total general fund request. Statewide present law adjustments add a net $135,581, shifting some base costs to the general fund.

LFD ISSUE

Cost Shift to General Fund

There are two places in the executive request where the funding ratios between general fund, state special revenue, and federal funds change between base budget funding and the adjusted base budget for FY 2010 and FY 2011 – the division administration function and adult protective services function.

Legislative Option
The legislature could opt to fund the adjusted base budget for the division administration and adult protective services function at the same funding ratios as the base budget, reducing general fund cost of statewide present law adjustments by about $123,000 and increasing other funding sources by a like amount. Specific information is in the sub-program analysis.

Present Law Adjustments
The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present law adjustments are 8 percent of the total FY 2011 budget request, but 12 percent of the general fund. State Medicaid match rates increase about 1 percent over the biennium causing a shift to the general fund. New proposals are 4 percent of the total FY 2011 budget request.

Present Law Adjustments		Fiscal 2010					Fiscal 2011			
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					466,746					515,532
Vacancy Savings					(425,828)					(427,780)
Inflation/Deflation					56,347					67,706
Fixed Costs					(58,702)					(58,440)
Total Statewide Present Law Adjustments					**$38,563**					**$97,018**
DP 22201 - Montana Veterans' Home Contingency Fund	0.00	0	250,000	0	250,000	0.00	0	250,000	0	250,000
DP 22202 - Healthcare for Healthcare Workers	0.00	917,763	750,000	3,462,237	5,130,000	0.00	0	1,691,361	3,438,639	5,130,000
DP 22203 - Dept of Transportation Cars	0.00	10,003	0	10,003	20,006	0.00	13,454	0	13,454	26,908
DP 22205 - Nursing Home IGT Adjustment	0.00	0	(35,212)	(267,145)	(302,357)	0.00	0	134,897	2,902	137,799
DP 22206 - Annualize Nursing Home Provider Increase	0.00	1,097,351	25,251	2,459,266	3,581,868	0.00	1,109,780	25,251	2,459,266	3,594,297
DP 22207 - Annualize Home Based Provider Increase	0.00	217,738	18,495	513,951	750,184	0.00	217,738	18,495	513,951	750,184
DP 22208 - Annualize Community Based Waiver Increase	0.00	253,509	(21,063)	492,362	724,808	0.00	255,104	(21,063)	490,767	724,808
DP 22209 - Annualize Aging Services Provider Increase	0.00	226,310	0	0	226,310	0.00	226,310	0	0	226,310
DP 22210 - MVH Restore Overtime/Holidays Worked.	0.00	0	380,165	0	380,165	0.00	0	389,160	0	389,160
DP 22211 - State Supplemental Payments	0.00	37,825	0	0	37,825	0.00	91,833	0	0	91,833
DP 22212 - Annualize Waiver and Fund Switch	0.00	(234,307)	410,728	373,691	550,112	0.00	(233,097)	410,728	372,481	550,112
DP 22213 - Annualize IGT Offset Funding	0.00	845,412	0	0	845,412	0.00	845,412	0	0	845,412
DP 22214 - Home Based Caseload	0.00	1,336,647	0	2,774,849	4,111,496	0.00	2,022,454	0	4,111,771	6,134,225
DP 22215 - Nursing Home Caseload Adjustment	0.00	1,163,336	0	2,415,058	3,578,394	0.00	878,293	0	1,785,622	2,663,915
DP 22216 - Medicaid Nursing Home FMAP Adjustment	0.00	1,001,433	0	(1,001,433)	0	0.00	1,354,138	0	(1,354,138)	0
DP 22217 - Medicaid Waiver FMAP Adjustment	0.00	204,504	0	(204,504)	0	0.00	276,529	0	(276,529)	0
DP 22218 - Home Based Medicaid FMAP Adj	0.00	203,817	0	(203,817)	0	0.00	275,601	0	(275,601)	0
DP 22219 - Operating Cost Adjustments	0.00	80,297	0	173,297	253,594	0.00	87,737	0	197,379	285,116
DP 22220 - Increase in Federal Aging Grants	0.00	0	0	153,895	153,895	0.00	0	0	153,895	153,895
DP 22222 - MVH Operating Expenses	0.00	0	263,650	0	263,650	0.00	0	263,650	0	263,650
Total Other Present Law Adjustments	**0.00**	**$7,361,638**	**$2,042,014**	**$11,151,710**	**$20,555,362**	**0.00**	**$7,421,286**	**$3,162,479**	**$11,633,859**	**$22,217,624**
Grand Total All Present Law Adjustments					**$20,593,925**					**$22,314,642**

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the program budget. It was submitted by the agency and edited for brevity by the LFD.

- **Market Rate** – As of June 30, 2008 SLTC personal services costs were at 92 percent of the 2008 market survey, which was 8 percent below the agency-wide 100 percent expectation. In 2006, SLTC pay rates were at 98 percent of the market survey. SLTC will make exceptions from market to hire difficult to recruit positions and

for inequities in the institutions in order to maintain the work force for retention purposes.

- **Vacancy** – Vacancies are most significant at the MVH in certified nurse aides due to pay competition among providers and the difficulty of the work. Like other medical facilities, it has difficulty keeping all positions filled. MVH has hired contract nursing staff to ensure that it meets appropriate care standards. Contract staff is more expensive than state employee staff and existing staff work more overtime. MVH has implemented a "pay as you train" program for CN A's to recruit these workers after they pass training program
- **Legislatively Applied Vacancy Savings** – The program met vacancy savings costs from the operations budget and through vacancy savings due to normal turnover. The MVH has turnover in nursing positions, which can be difficult to fill and generate unintended vacancy savings.
- **Pay Changes** - The types of pay changes made by SLTC include pay equity adjustments and market adjustments to compete in labor markets in specific geographic areas.
- **Retirements** – Nine employees retired in the 2009 biennium (as of November 1, 2008) and 123 employees (50 percent of total program workforce) will be eligible for retirement in the 2011 biennium. SLTC estimates that 12 employees will retire with an anticipated compensated absence liability of $97,776.

New Proposals

New Proposals										
	---Fiscal 2010---					---Fiscal 2011---				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 22101 - Continue Aging Services Funding										
22	0.00	1,050,000	0	0	1,050,000	0.00	1,050,000	0	0	1,050,000
DP 22102 - MVH Dom/Nursing Wing Facility Upgrades										
22	0.00	0	165,000	0	165,000	0.00	0	165,000	0	165,000
DP 22103 - HCBS Waiver Expansion										
22	0.00	40,000	0	84,727	124,727	0.00	600,000	0	1,258,160	1,858,160
DP 22105 - MT Vets Home Safety Officer										
22	1.00	0	55,470	0	55,470	1.00	0	55,488	0	55,488
DP 22106 - Provider Rate Increase - Nursing Home										
22	0.00	364,351	0	756,385	1,120,736	0.00	868,648	0	1,766,014	2,634,662
DP 22107 - Provider Rate Increase - Home Based										
22	0.00	89,205	0	185,188	274,393	0.00	218,354	0	443,926	662,280
DP 22108 - Provider Rate Increase - Comm. Based Waiver										
22	0.00	75,903	0	157,573	233,476	0.00	181,537	0	369,077	550,614
DP 22109 - Provider Rate Increase - Aging Services										
22	0.00	86,112	0	0	86,112	0.00	203,082	0	0	203,082
DP 22112 - New APS Field Staff										
22	2.50	0	146,784	0	146,784	4.00	0	238,058	0	238,058
DP 22114 - EMVH Facility Painting and Upgrades - OTO										
22	0.00	0	40,000	0	40,000	0.00	0	40,000	0	40,000
DP 22115 - MT Vets Home New CNAs FTE										
22	4.80	0	223,874	0	223,874	4.80	0	224,514	0	224,514
DP 22117 - MVH Additional Aggregate RNs										
22	2.00	0	183,095	0	183,095	2.00	0	183,790	0	183,790
DP 22118 - MVH Additional Aggregate LPNs										
22	0.50	0	30,561	0	30,561	0.50	0	30,656	0	30,656
DP 22119 - MVH Additional Aggregate CNAs										
22	3.00	0	134,655	0	134,655	3.00	0	135,114	0	135,114
DP 22120 - MVH Additional Aggregate Activity Positions										
22	3.00	0	110,656	0	110,656	3.00	0	111,017	0	111,017
DP 22122 - MVH Wage Increases Based On Wage Survey										
22	0.00	0	33,525	0	33,525	0.00	0	134,090	0	134,090
DP 22223 - Additional Funding for SLTC HCBS										
22	0.00	2,000,000	0	3,529,160	5,529,160	0.00	2,000,000	0	3,456,203	5,456,203
Total	**16.80**	**$3,705,571**	**$1,123,620**	**$4,713,033**	**$9,542,224**	**18.30**	**$5,121,621**	**$1,317,727**	**$7,293,380**	**$13,732,728**

Language and Statutory Authority

DP 22201 Montana Veterans Home Contingency Fund – "Funding in Montana Veterans' Home Contingency Fund may be used only if federal and private revenue available from federal special revenue and private payment state special revenue appropriations in fiscal year 2010 or fiscal year 2011 are insufficient to operate the homes at capacity to maximize collection of federal and private payments. The office of budget and program planning shall notify the legislative finance committee when the appropriation will be used."

DP 22213 Annualize IGT Offset Funding – "Funds in IGT Offset may be used as Medicaid matching funds for nursing home services and home-based services for aged and physically disabled persons only if the county nursing home intergovernmental transfer program is not sufficient to reimburse county nursing homes a net payment of a least $5 a day for Medicaid services and other nursing homes a net payment of at least $2 a day for Medicaid services. IGT Offset must be used only to fund a shortfall in the amount of county funds transferred as part of the county nursing home intergovernmental transfer program that is appropriated as state match for Medicaid nursing home and home-based services."

Sub-Program Details

MEDICAID SERVICES 01

Sub-Program Proposed Budget

The following table summarizes the proposed executive budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011	Total Exec. Budget Fiscal 10-11
FTE	17.60	0.00	0.00	17.60	0.00	0.00	17.60	17.60
Personal Services	991,975	84,681	0	1,076,656	87,231	0	1,079,206	2,155,862
Operating Expenses	1,286,022	622	0	1,286,644	685	0	1,286,707	2,573,351
Equipment & Intangible Assets	24,198	0	0	24,198	0	0	24,198	48,396
Grants	0	0	300,000	300,000	0	300,000	300,000	600,000
Benefits & Claims	209,721,583	18,969,917	6,982,492	235,673,992	20,530,752	10,861,919	241,114,254	476,788,246
Total Costs	**$212,023,778**	**$19,055,220**	**$7,282,492**	**$238,361,490**	**$20,618,668**	**$11,161,919**	**$243,804,365**	**$482,165,855**
General Fund	44,256,351	7,047,264	2,569,459	53,873,074	7,071,994	3,868,539	55,196,884	109,069,958
State/Other Special	22,249,457	1,148,542	0	23,397,999	2,260,023	0	24,509,480	47,907,479
Federal Special	145,517,970	10,859,414	4,713,033	161,090,417	11,286,651	7,293,380	164,098,001	325,188,418
Total Funds	**$212,023,778**	**$19,055,220**	**$7,282,492**	**$238,361,490**	**$20,618,668**	**$11,161,919**	**$243,804,365**	**$482,165,855**

Sub-Program Description

Medicaid services administered by the Senior and Long Term Care Division include skilled nursing, home based (personal assistance and hospice), and community waiver services for adults who are physically disabled or elderly.

The Medicaid services function comprises the lion's share of the SLTC division budget with 89 percent ($482.2 million) over the 2011 biennium. Figure 56 lists each Medicaid service, shows the base budget, each change requested by the executive by fiscal year, and the total amount requested for each Medicaid service administered by SLTC.

The Medicaid benefits request for the 2011 biennium increases $58.1 million, including $20.4 million general fund, compared to the base budget. Nursing home services are 62 percent of the FY 2011 request. The LFD nursing home estimates are lower than the executive request and the LFD has raised an issue with the need to annualize nursing home rate increases (DP 22206) since the FY 2009 rates used to develop 2011 biennium cost estimates already include the 2.5 percent increase for FY 2009. The differences are discussed in the division overview.

Home based services are 19.6 percent of the FY 2011 budget request and include the three largest biennial adjustments

- o $11.0 million total funds ($4.0 million general fund) for unspecified services that might include expansion of the community waiver or direct care worker wage increases
- o $10.3 million ($0.9 million general fund) to annualize provider rate increases to support the cost of healthcare for healthcare workers
- o $10.2 million ($3.4 million general fund) for eligibility and service utilization increases

The community waiver services budget request rises due to annualization of service expansion funded by the 2007 Legislature and FY 2009 provider rate increase. New proposals for a provider rate increase and additional waiver slots add $2.8 million.

Although total budget amounts do not change, the increase in the state Medicaid match rate adds $3.3 million general fund and reduce federal funds by a like amount. Changes in administrative costs are minimal compared to the increase requested for Medicaid services.

Figure 56

Senior and Long Term Care Division 2011 Biennium Medicaid Services Appropriation by Function and Component

Medicaid Services	FY 2010				FY 2011				% of
Present Law and New Proposals	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	Total
Nursing Home Services									
FY 2008 Base Budget	$26,679,429	$17,459,690	$96,516,693	$140,655,812	$26,679,429	$17,459,690	$96,516,693	$140,655,812	58.3%
Intergovernmental County Transfer	0	1,673,022	3,452,757	5,125,779	0	1,843,131	3,722,804	5,565,935	2.3%
MT Veterans' Home Federal Authority	0	0	997,599	997,599	0	0	997,599	997,599	0.4%
Nurse Aide Testing	155,313	0	155,313	310,626	155,313	0	155,313	310,626	0.1%
PL22206 Annualize Provider Increase	1,097,351	25,251	2,459,266	3,581,868	1,109,780	25,251	2,459,266	3,594,297	1.5%
PL22213 Annualize IGT Offset Funding	293,027	0	0	293,027	293,027	0	0	293,027	0.1%
PL22215 Nursing Home Caseload Adjustment	1,163,336	0	2,415,058	3,578,394	878,293	0	1,785,622	2,663,915	1.1%
PL22216 Medicaid State Match Increase	1,001,433	0	(1,001,433)	0	1,354,138	0	(1,354,138)	0	0.0%
NP22106 Nursing Home Rate Increase	364,351	0	756,385	1,120,736	868,648	0	1,766,014	2,634,662	1.1%
Subtotal Appropriation Changes	3,919,498	25,251	4,629,276	8,574,025	4,503,886	25,251	4,656,764	9,185,901	3.8%
Total Nursing Home Appropriation	30,598,927	17,484,941	101,145,969	149,229,837	31,183,315	17,484,941	101,173,457	149,841,713	62.1%
Percent Increase Over Base Budget	14.7%	0.1%	4.8%	6.1%	16.9%	0.1%	4.8%	6.5%	
Home Based Services - Entitlement									
FY 2008 Base Budget	8,570,540	1,625,654	22,278,031	32,474,225	8,570,540	1,625,654	22,278,031	32,474,225	13.5%
PL22202 Healthcare for Healthcare Workers	917,763	750,000	3,462,237	5,130,000	0	1,691,361	3,438,639	5,130,000	2.1%
PL22207 Annualize Provider Increase	217,738	18,495	513,951	750,184	217,738	18,495	513,951	750,184	0.3%
PL22213 Annualize IGT Offset Funding	552,385	0	0	552,385	552,385	0	0	552,385	0.2%
PL22214 Home Based Caseload	1,336,647	0	2,774,849	4,111,496	2,022,454	0	4,111,771	6,134,225	2.5%
PL22216 Medicaid State Match Increase	203,817	0	(203,817)	0	275,601	0	(275,601)	0	0.0%
DP 22107 Rate Increase - Home Based	89,205	0	185,188	274,393	218,354	0	443,926	662,280	0.3%
DP 22223 Additional Funds for SLTC HCBS	2,000,000	0	3,529,160	5,529,160	2,000,000	0	3,456,203	5,456,203	2.3%
Subtotal Appropriation Changes	5,317,555	768,495	10,261,568	16,347,618	5,286,532	1,709,856	11,688,889	18,685,277	7.7%
Total Home Based Appropriation	13,888,095	2,394,149	32,539,599	48,821,843	13,857,072	3,335,510	33,966,920	51,159,502	21.2%
Percent Increase Over Base Budget	62.0%	47.3%	46.1%	50.3%	61.7%	105.2%	52.5%	57.5%	
Community Services Waiver - Nonentitlement									
FY 2008 Base Budget	7,932,661	1,447,528	20,474,996	29,855,185	7,932,661	1,447,528	20,474,996	29,855,185	12.4%
PL22208 Annualize Waiver Incr.	253,509	(21,063)	492,362	724,808	255,104	(21,063)	490,767	724,808	0.3%
PL22212 Annualize Waiver and Fund Switch	(234,307)	410,728	373,691	550,112	(233,097)	410,728	372,481	550,112	0.2%
PL22217 Medicaid Waiver FMAP Adjustment	204,504	0	(204,504)	0	276,529	0	(276,529)	0	0.0%
DP 22103 HCBS Waiver Expansion	40,000	0	84,727	124,727	600,000	0	1,258,160	1,858,160	0.8%
DP 22108 Rate Increase - Waiver	75,903	0	157,573	233,476	181,537	0	369,077	550,614	0.2%
Subtotal Appropriation Changes	339,609	389,665	903,849	1,633,123	1,080,073	389,665	2,213,956	3,683,694	1.5%
Total Waiver Appropriation	8,272,270	1,837,193	21,378,845	31,488,308	9,012,734	1,837,193	22,688,952	33,538,879	13.9%
Percent Increase Over Base Budget	4.3%	0.0%	4.4%	5.5%	13.6%	0.0%	10.8%	12.3%	
Total Medicaid Services - Senior and Long Term Care									
Total Medicaid Services Base Budget*	$43,337,943	$22,205,894	$143,875,389	$209,419,226	$43,337,943	$22,376,003	$144,145,436	$209,859,382	86.9%
Present Law Annualization - 2009 Expansions	3,097,466	1,183,411	7,301,507	11,582,384	2,194,937	2,124,772	7,275,104	11,594,813	4.8%
Present Law Adjustments - Caseload	2,499,983	0	5,189,907	7,689,890	2,900,747	0	5,897,393	8,798,140	3.6%
Present Law Due to State Match Change	1,409,754	0	(1,409,754)	0	1,906,268	0	(1,906,268)	0	0.0%
New Proposals for Provider Rates	529,459	0	1,099,146	1,628,605	1,268,539	0	2,579,017	3,847,556	1.6%
New Proposals for Service Expansion	2,040,000	0	3,613,887	5,653,887	2,600,000	0	4,714,363	7,314,363	3.0%
Subtotal Appropriation Changes*	$9,576,662	$1,183,411	$15,794,693	$26,554,766	$10,870,491	$2,124,772	$18,559,609	$31,554,872	13.1%
Grand Total Annual Appropriation**	$52,914,605	$23,389,305	$159,670,082	$235,973,992	$54,208,434	$24,500,775	$162,705,045	$241,414,254	100%
Percent Increase Over Base Budget	22.1%	5.3%	11.0%	12.7%	25.1%	9.5%	12.9%	15.0%	
Grand Total Biennial Increase					$20,447,153	$3,308,183	$34,354,302	$58,109,638	

*Base budget amounts include present law changes in IGT funds. For that reason base budget and appropriation change totals will differ from the amounts shown in the main table.

**Benefit costs include $300,000 of grant funds in DP Additional Funds for SLTC HCBS.

Budget Summary By Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	44,256,351	44,256,351	88,512,702	81.15%	212,023,778	212,023,778	424,047,556	87.95%
Statewide PL Adjustments	40,061	70,042	110,103	0.10%	85,303	87,916	173,219	0.04%
Other PL Adjustments	7,007,203	7,001,952	14,009,155	12.84%	18,969,917	20,530,752	39,500,669	8.19%
New Proposals	2,569,459	3,868,539	6,437,998	5.90%	7,282,492	11,161,919	18,444,411	3.83%
Total Budget	**$53,873,074**	**$55,196,884**	**$109,069,958**		**$238,361,490**	**$243,804,365**	**$482,165,855**	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010					Fiscal 2011				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					129,543					132,197
Vacancy Savings					(44,862)					(44,966)
Inflation/Deflation					622					685
Total Statewide Present Law Adjustments					**$85,303**					**$87,916**
DP 22202 - Healthcare for Healthcare Workers	0.00	917,763	750,000	3,462,237	5,130,000	0.00	0	1,691,361	3,438,639	5,130,000
DP 22205 - Nursing Home IGT Adjustment	0.00	0	(35,212)	(267,145)	(302,357)	0.00	0	134,897	2,902	137,799
DP 22206 - Annualize Nursing Home Provider Increase	0.00	1,097,351	25,251	2,459,266	3,581,868	0.00	1,109,780	25,251	2,459,266	3,594,297
DP 22207 - Annualize Home Based Provider Increase	0.00	217,738	18,495	513,951	750,184	0.00	217,738	18,495	513,951	750,184
DP 22208 - Annualize Community Based Waiver Increase	0.00	253,509	(21,063)	492,362	724,808	0.00	255,104	(21,063)	490,767	724,808
DP 22212 - Annualize Waiver and Fund Switch	0.00	(234,307)	410,728	373,691	550,112	0.00	(233,097)	410,728	372,481	550,112
DP 22213 - Annualize IGT Offset Funding	0.00	845,412	0	0	845,412	0.00	845,412	0	0	845,412
DP 22214 - Home Based Caseload	0.00	1,336,647	0	2,774,849	4,111,496	0.00	2,022,454	0	4,111,771	6,134,225
DP 22215 - Nursing Home Caseload Adjustment	0.00	1,163,336	0	2,415,058	3,578,394	0.00	878,293	0	1,785,622	2,663,915
DP 22216 - Medicaid Nursing Home FMAP Adjustment	0.00	1,001,433	0	(1,001,433)	0	0.00	1,354,138	0	(1,354,138)	0
DP 22217 - Medicaid Waiver FMAP Adjustment	0.00	204,504	0	(204,504)	0	0.00	276,529	0	(276,529)	0
DP 22218 - Home Based Medicaid FMAP Adj	0.00	203,817	0	(203,817)	0	0.00	275,601	0	(275,601)	0
Total Other Present Law Adjustments	**0.00**	**$7,007,203**	**$1,148,199**	**$10,814,515**	**$18,969,917**	**0.00**	**$7,001,952**	**$2,259,669**	**$11,269,131**	**$20,530,752**
Grand Total All Present Law Adjustments					**$19,055,220**					**$20,618,668**

<u>DP 22202 - Healthcare for Healthcare Workers -</u> This request adds $10.3 million total fund including $0.9 million general fund and $2.4 million tobacco settlement trust fund interest state special revenue over the biennium to continue an initiative of the 2007 Legislature. The legislature appropriated $2.6 million for six months of FY 2009 (beginning January 1, 2009) for a provider rate increase to pay health insurance premiums for workers in the personal assistance and the private duty nursing programs. If the agency employing the workers accepts the rate increase, it must provide health

insurance coverage that meets a set of defined criteria for all of its employees. The FY 2009 appropriation supports a premium of $450 for about 950 workers for six months in 2009.

Employees will pay no more than $25 towards the cost of the insurance while the bulk of the insurance premium cost will be paid for in the form of a Medicaid payment to agencies for the specific purpose of obtaining health insurance for their workers. The goal of this DP is to continue to cover the workers in the personal assistance and private duty nursing programs with health insurance by providing funding to pay up to $495 in 2010 and $545 in 2011 of premium costs. The funding provided in 2009 at $450 was estimated to provide insurance to approximately 950 workers. Due to the increase in the cost of insurance premiums and the reduced funding level in this decision package it is unlikely that the 950 workers who were targeted with the funding for the six months in 2009 can be maintained, it is more likely that the funding will provide coverage for approximately 750 workers.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: Providing healthcare to direct care workers will help retain workers.

Goal: Provide meaningful health insurance coverage to previously uninsured individuals that work in a predominantly Medicaid funded, direct care program.

Performance Criteria and Milestones: Benchmarks for coverage have been drafted and providers are soliciting insurance bids from carriers for their specific employees. Funding will begin on or after January 1, 2009 for those agencies that provide the state with specific information as to what insurance carrier they are using, when SLTC determines that it meets the benchmark criteria, and if the defined number of workers that will be covered is consistent with the funding allocation for that agency. SLTC will monitor this program for the six months that funding is available and use this information to evaluate and make changes as necessary to the healthcare for healthcare workers model in order to continue the rate increase into the 2011 biennium.

Progress will be measured by determining how many agencies take the funding to provide health insurance coverage for their direct care workers and by how many workers that were previously uninsured have meaningful insurance coverage through this program.

Funding: The insurance premium cost will be paid in the form of a Medicaid payment to agencies for the specific purpose of obtaining health insurance for their workers. The funding requested is inadequate to continue to maintain the program at the fully annualized level. SLTC will decide how many individuals can be covered with this level of funding commitment. It is expected that premiums will increase and as a result there will be a lower number of employees that can be covered. Anther option would be to potentially modify the benchmarks, which could result in changes to the premium cost that would an increase in the number of workers that can be covered with this funding.

FTE: Current staff would implement the health care for health care workers initiative.

Challenges to Implementation: The state has little ability to control the cost of the premiums, which are based in part on the health status of the employees that are being insured, or the insurance rating for this workforce of direct care workers who provide hands-on care. The challenge will be to maintain quality health insurance coverage that is meaningful to the employees while staying within the funding levels appropriated.

Risks of Not Adopting Proposal: Individuals who have been able to access health insurance through this model will be without coverage or with reduced coverage if this funding is eliminated or not continued at levels that cover the increased cost of insurance premiums over time. If funding levels are inadequate, the insurance benchmarks may be reduced so much that the insurance coverage is no longer meaningful to workers who provide this hands-on direct care to vulnerable populations across Montana.

Healthcare for Healthcare Workers Implemented January 1, 2009

The fundamental assumptions of the 2007 Legislature when it funded the healthcare for healthcare workers program were:

- Medicaid rate increases would supply additional funding for employers to provide healthcare
- Employers were eligible to participate in the program if the majority of their income for personal assistance and private duty nursing services was from the Medicaid program
- The program is optional, not mandatory
- Employers accepting the rate increase would fund a health insurance product or health savings account that met benchmarks established by SLTC
- Employees working a certain number of hours would be eligible for the insurance
- Rate increases for healthcare must be used only for healthcare

SLTC would monitor employer participation and compliance

SLTC met with a work group of personal assistance provider and employee representatives in early 2008 to flesh out the healthcare for healthcare worker initiative. In June 2008 DPHHS sent an initial application to every enrolled Medicaid personal assistance and private duty nursing provider. The application provided information on the funding initiative to provide health insurance for direct care workers and detailed the requirements to receive the funding. Agencies wishing to participate in the program provided an indication by July 23, 2008 and will submit the insurance product for review by SLTC by December 1, 2008 to enroll.

Number of Providers that Might Participate

Forty eight Medicaid personal assistance service (PAS) and private duty nursing/PAS providers received applications to participate in the health insurance for healthcare worker funding. Twenty of the PAS and seven of the private duty nursing/PAS agencies plan to apply. Together these businesses provide 97 percent of the total Medicaid personal assistance services and 71 percent of the total Medicaid private duty nursing services. They include statewide providers, regional providers, and local area agencies on aging and hospitals. Six of the agencies that plan to apply currently offer health insurance to direct care workers.

Of the agencies that opted out of health insurance funding, only one agency provides more than 1 percent of the share of Medicaid personal assistance services in Montana. The reasons agencies opted out of the funding included: "insurance premiums were too high", "funding was insufficient to cover the cost to the agency", "portion of Medicaid was too small to provide insurance", "consultation with lawyers and tribal council", "employees who qualify are qualified under other plans", "potential impact on the cost of private pay", and "the benchmarks were too restrictive".

Premium Cost

The cost of the worker insurance premium ranges from \$0.00-\$218.00. The cost of the employer insurance monthly premium ranges from \$56-\$840. Some of the insurance plans meet most of the benchmark standards. However, many agencies must offer a separate plan in order to meet the criteria to receive the enhanced Medicaid rate to support health insurance funding. Currently, none of the agencies offer a health insurance plan to a majority of their direct care workers that meets the benchmark standards.

Monitoring Provision of Insurance

SLTCD will monitor the expected number of individuals that should have insurance based on payments and those that actually are insured by employers. If the average number of covered workers falls below the expected level for a period of three months or more recovery of Medicaid payments can occur.

SLTC will provide final enrollment numbers to the 2009 Legislature, including the number of workers that will receive health insurance or approved participation in a health savings account.

If the legislature approves this request, it could also consider restricting the appropriation to be used only for rate increases to fund healthcare for healthcare workers. If employers decline to continue healthcare, the service rates would also decline leaving excess appropriation authority.

If the legislature approves this request it could also ask that the Legislative Finance Committee monitor the initial two years of program implementation over the 2011 biennium. It may also wish to request that SLTC develop objectives and measures for the program to evaluate its effectiveness.

LFD COMMENT

Tobacco Settlement Trust Interest Supports Annualization

Most funding shifts are required to be presented as new proposals. This present law adjustment includes what could be considered a funding switch since the legislature approved general fund for the state Medicaid match for the program and the executive budget shifts the state match to tobacco settlement trust income.

The LFD is not raising an issue related to inclusion of a potential funding shift in present law. Annualization of the cost of the rate increase is an appropriate present law adjustment. If the adjustment had been moved to a new proposal due to the funding shift, present law would have been understated by $10 million.

The use of trust fund interest to support the rate increase for healthcare for healthcare workers is within the constitutionally allowable use of the tobacco settlement trust fund interest (Montana Constitution Article XII, Section 4). Appropriations of the interest, income, or principal from the trust fund shall be used only for tobacco disease prevention programs and state programs providing benefits, services, or coverage that are related to the health care needs of the people of Montana and may not be used for other purposes. The trust income may not be used for services or programs in existence prior to December 31, 1999.

The legislature has two policy choices with regard to annualization of the rate increase to fund healthcare for healthcare workers. It must approve or deny the adjustment. If the adjustment is approved it can consider whether to accept the executive proposal to fund the state match with tobacco settlement trust fund interest or to use general fund.

DP 22205 - Nursing Home IGT Adjustment - This request adds $99,587 state special revenue and reduces federal Medicaid matching funds by $264,243, for a net reduction of $164,558 in nursing home intergovernmental payments (IGT) over the biennium. This adjustment reflects the increase in the state match rate and a slight increase in transfer amounts in FY 2011.

The IGT funds are paid to the state by counties eligible to provide the matching funds on behalf of county affiliated nursing facilities. The IGT funds are used to match federal funds and raise the daily Medicaid nursing home rate.

DP 22206 - Annualize Nursing Home Provider Increase - This request adds $7.2 million to annualize the 2.5 percent provider rate increase that was appropriated for FY 2009 for nursing facility providers. It includes $2.2 million general fund and a small amount of health and Medicaid initiative state special revenue.

LFD ISSUE

Nursing Home Estimates Use FY 2009 Rate - Annualization Funding Unnecessary

The estimated change in nursing home costs from FY 2008 to FY 2011 is based on the daily rate multiplied by the number of days of care. The LFD estimates use the FY 2009 rate approved by the 2007 Legislature to develop estimates, which includes the annual rate increase. This adjustment is unnecessary.

LFD ISSUE (CONT.)

Legislative Option
The legislature could combine all funding for present law nursing home costs to minimize confusion. When the legislature considers the nursing home caseload estimate and funding, it considers total amounts by specific funding sources.

DP 22207 - Annualize Home Based Provider Increase - This adjustment adds \$1.5 million total funds, including \$0.5 million general fund and a small amount of health and Medicaid initiatives state special revenue, to annualize the FY 2009 provider rate increase of 2.5 percent that was appropriated by the 2007 Legislature for the home based program, which includes the Medicaid funded home health, personal assistance and hospice programs. The legislature appropriated 2.5 percent in each year of the 2009 biennium.

LFD ISSUE

Caseload Projections May Capture Annualization of Rate Increase

When the caseload estimates are updated for the 2009 Legislature, LFD staff will review the most recent data to determine whether the effect of the FY 2009 rate increase is reflected in the most recent data used to estimate caseload costs.

Legislative Option
Depending on the updated caseload estimates, the legislature may reduce all or part of the request to annualize the FY 2009 provider rate increase.

DP 22208 - Annualize Community Based Waiver Increase - This adjustment adds \$1.4 million total funds, including \$0.5 million general fund, and reduces a small amount of health and Medicaid initiatives state special revenue, to annualize the 2.5 percent provider rate increase funded in FY 2009 by the 2007 Legislature for the community based services program.

DP 22212 - Annualize Waiver and Fund Switch - This request adds \$1.1 million total funds, reduces general fund by \$0.5 million, and increases health and Medicaid initiatives state special revenue by \$0.8 million. The 2007 Legislature provided funding for 102 new service slots for the Medicaid community based waiver services in FY 2008. The new service slots were allocated throughout FY 2008 so the full annual cost is not reflected in base budget expenditures. This request annualizes the cost of slots that were distributed throughout FY 2008, includes the switch in funding from general fund to health and Medicaid initiatives state special revenue included in the FY 2009 legislative appropriation, and adjusts for the change in the state match rate. Changes in waiver services are discussed in the division overview.

DP 22213 - Annualize IGT Offset Funding - This request adds \$1.7 million general fund over the 2011 biennium to reflect funding changes made by the 2007 Legislature. The legislature added \$2.8 million general fund over the 2009 biennium to offset the anticipated reduction in county nursing home intergovernmental transfer (IGT) state special revenue used as state Medicaid match for current level nursing home and home based services. The appropriation was restricted and could be used only if federal rule changes prohibited or restricted the use of IGT funds as Medicaid match or the IGT program was not viable. Viable was defined as receiving enough county IGT funds for the state Medicaid match to fund a daily payment of \$5 to county nursing homes and \$2 to all other nursing homes. About \$720,000 of general fund was used in FY 2008 to maintain the IGT program at the \$5 and \$2 payment level for nursing homes. In FY 2009, \$1 million of the IGT offset is appropriated for home based services and \$0.6 million is appropriated for nursing home services.

LFD ISSUE

Continuation of Restriction

If the legislature approves this general fund appropriation it might want to consider restricting the use of the appropriation in the same way as it did in the 2009 biennium. The language in HB 2 conditioning the IGT offset appropriation was: "Funds in IGT Offset may be used as Medicaid matching funds for nursing home services and home-based services for aged and physically disabled persons only if the county nursing home intergovernmental transfer program is not sufficient to reimburse county nursing homes a net payment of at least $5 a day for Medicaid services and other nursing homes a net payment of at least $2 a day for Medicaid services. IGT Offset must be used only to fund a shortfall in the amount of county funds transferred as part of the county nursing home intergovernmental transfer program that is appropriated as state match for Medicaid nursing home and home-based services." If IGT funding remains viable, then the general fund will not be accessed.

The legislature could consider adding a second condition that the IGT offset funding could be used only if the general fund appropriated for nursing homes was not adequate to maintain the daily rates expected by the legislature. That language would also ensure that if bed days continued to decline, that the IGT offset would not be used unless other general fund was insufficient to fund expected rate increases.

The executive budget allocates the general fund to the IGT instead of offsetting IGT state special revenue in the nursing home and home based services programs. If the legislature approves this request it may wish to direct staff to allocate the general fund to nursing homes and home based services.

DP 22214 - Home Based Caseload - This proposal reflects the anticipated caseload adjustment for Medicaid home based services that include personal care, home health and hospice. Caseload is expected to grow at 5.4 percent per year with an estimated cost of $10.2 million total funds over the biennium, including $3.4 million in general funds.

LFD ISSUE

Caseload Projections May Capture Annualization of Rate Increase

When the caseload estimates are updated for the 2009 Legislature, LFD staff will review the most recent data to determine whether the effect of the FY 2009 rate increase is reflected in the most recent data used to estimate caseload costs.

Legislative Option
Depending on the updated caseload estimates, the legislature may reduce all or part of the request to annualize the FY 2009 provider rate increase.

DP 22215 - Nursing Home Caseload Adjustment - This proposal adds a net $6.3 million, including $2.0 million general fund, to correct an accrual error in base budget expenditures. It also includes a reduction of $4.6 million total funds ($1.5 million general fund) that reflects the anticipated reduction in nursing home days of care by 0.75 percent per year for the 2011 biennium when compared with the 2008 base. Figure 57 shows the elements of this request.

Figure 57
Elements of DP 22215 Nursing Home Caseload Adjustment

	<----------FY 2010---------->			<----------FY 2010---------->		
Change	General Fund	Federal Funds	Total	General Fund	Federal Funds	Total
Accrual Error	$1,764,687	$3,663,449	$5,428,136	$1,764,687	$3,663,449	$5,428,136
Caseload Est	(601,351)	(1,248,391)	(1,849,742)	(911,364)	(1,852,857)	(2,764,221)
Total	$1,163,336	$2,415,058	$3,578,394	$853,323	$1,810,592	$2,663,915

LFD COMMENT Legislative Staff Estimate Compared to the Executive Request

The LFD staff estimate of nursing home days and total general fund cost is different than the executive budget request. The estimates are discussed in greater detail in the division summary.

DP 22216 - Medicaid Nursing Home FMAP Adjustment - This proposal increases general fund by $2.4 million over the 2011 biennium and reduces federal funds by a like amount due to an increase in the state Medicaid match rate. The required state match increased from 31.41 percent in FY 2008 to 32.51 percent in FY 2010 and 32.97 percent in FY 2011.

DP 22217 - Medicaid Waiver FMAP Adjustment - This request increases general fund by about $480,000 and reduces federal funds by a like amount due to an increase in the state Medicaid match rate. The required state match increased from 31.41 percent in FY 2008 to 32.97 percent in FY 2011.

DP 22218 - Home Based Medicaid FMAP Adj - This proposal adds $480,000 general fund and reduces federal funds by a like amount over the biennium due to an increase in state Medicaid matching funds for home based service costs and a reduction in the federal matching rate. The required state match increased from 31.41 percent in FY 2008 to 32.97 percent in FY 2011

New Proposals

New Proposals	Fiscal 2010					Fiscal 2011				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 22103 - HCBS Waiver Expansion										
01	0.00	40,000	0	84,727	124,727	0.00	600,000	0	1,258,160	1,858,160
DP 22106 - Provider Rate Increase - Nursing Home										
01	0.00	364,351	0	756,385	1,120,736	0.00	868,648	0	1,766,014	2,634,662
DP 22107 - Provider Rate Increase - Home Based										
01	0.00	89,205	0	185,188	274,393	0.00	218,354	0	443,926	662,280
DP 22108 - Provider Rate Increase - Comm. Based Waiver										
01	0.00	75,903	0	157,573	233,476	0.00	181,537	0	369,077	550,614
DP 22223 - Additional Funding for SLTC HCBS										
01	0.00	2,000,000	0	3,529,160	5,529,160	0.00	2,000,000	0	3,456,203	5,456,203
Total	**0.00**	**$2,569,459**	**$0**	**$4,713,033**	**$7,282,492**	**0.00**	**$3,868,539**	**$0**	**$7,293,380**	**$11,161,919**

DP 22103 - HCBS Waiver Expansion - This proposal adds $2.0 million total funds over the biennium, including $0.6 million general fund to expand community waiver services. This expansion would add 5 new service slots in the first year and 73 in the second year of the biennium for a total of 78 new service slots over the biennium for individuals waiting to access community services in home or assisted living settings, supported living, or heavy care slots such as ventilator or traumatic brain injury services. To be eligible for the waiver program an individual must be elderly or disabled, Medicaid eligible, and require nursing facility or hospital level of care. The majority of the recipients served meet the nursing facility level of care criteria. Because the waiver is not an entitlement, the program often has waiting lists, which require that some eligible people wait for services until additional resources are appropriated by the legislature.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: This proposal is needed because the waiver program is a flexible, consumer-oriented and cost-effective alternative to nursing facility placement and long term hospital care. It provides services in the least restrictive environment possible, and prevents unnecessary institutional care. In FY 2008 there were 2,200 individuals served under the waiver program in 1,697 service slots.

There are about 440 individuals waiting for services under the waiver program. This number represents those people who are currently eligible for Medicaid and who are ready to accept services. The waiting list is expected to grow due to the projected growth in the elderly population, and the increased demand for assisted living as well as the desire of more individuals who are older or who have disabilities to receive care at home rather than in a nursing facility or hospital. The waiting list in the past has had up to 600 individuals on it at any given point in time.

Goals:

- To provide quality home and community-based care to Medicaid eligible Montanans through the waiver program
- To prevent unnecessary or unwanted institutional care placements and keep individuals in their homes and communities
- To maintain or reduce the average length of time for an individual on the waiver waiting list at less than one year

Performance Criteria and Milestones: Progress will be measured by the increased number of individuals served in the wavier program both through the expansion of service slots as well as in individuals served. The largest part of the expansion will occur in 2011 the second year of the biennium. This expansion, if approved, will provide for approximately 78 service slots to expand capacity in the waiver program.

FTE: Existing staff – no new FTE

Funding: General fund and federal Medicaid matching funds

Challenges to Implementation: Challenges could be faced as the need for community based alternatives and placements outgrows the ability to serve individuals in community placements in this program. The increase in the aging demographic will also put pressure on trying to keep up with the waiting list and maintain the average length of time a person stays on the waiting list at a reasonable level. Because there is a waiting list currently staff does not believe that it will be difficult to fill these service slots if funding is appropriated.

Risks of Not Adopting Proposal: If individuals do not have access to community based services they are at risk of a nursing facility/hospital placement. If persons are residing in a nursing facility or hospital, these individuals may have little choice of alternative placements without the resources to develop appropriate community service plans. In many instances, serving individuals in the community can be less expensive than in an institutional setting. The length of time an individual remains on the waiting list will be extended and the number of people on the waiting list will grow.

LFD ISSUE

Specific Measures and Milestones Needed

This proposal does not include measures that are specific. Nor does it include milestones to allow the legislature to evaluate progress. Last biennium, the division had specific measures and timelines related to waiver expansion.

Legislative Option

Moving individuals into community services, reducing the waiting list, and allocating a higher proportion of the division budget to community services are among SLTC goals and objectives. If the legislature approves this request, it could consider:

- Establishing specific measures for this proposal
- Including the measures in the fiscal report
- Requesting the Legislative Finance Committee monitor implementation of the new proposal during the 2010 – 2011 interim.

DP 22106 - Provider Rate Increase - Nursing Home - This proposal adds $3.8 million in total funds including $1.2 million general fund over the biennium for a 1 percent provider rate increase in each year of the biennium for the nursing facility services program. The raise will be implemented October 1 each year of the biennium, resulting in a 0.75 percent annual increase over each fiscal year.

DP 22107 - Provider Rate Increase - Home Based - This proposal requests $936,673 in total funds including $307,559 general fund over the biennium for a 1 percent provider rate increase in each year of the biennium for the Medicaid funded Home Based Services which include personal assistance, home health and hospice services. The rate increase will be implemented October 1 each year of the biennium, resulting in a 0.75 percent annual increase over each fiscal year.

DP 22108 - Provider Rate Increase - Comm. Based Waiver - This proposal adds $784,090 in total funds including $257,440 general fund over the biennium for a 1 percent provider rate increase in each year of the biennium for the Medicaid funded home and community based waiver program. The rate increase would be implemented October 1 of each year of the biennium, resulting in a 0.75 percent annual increase over each fiscal year.

DP 22223 - Additional Funding for SLTC HCBS - The executive budget includes $11.0 million total funds ($2.0 million general fund) to rebalance the long term care system by developing increased availability of home and community based services. Potential expenditures may include reducing waiver waiting lists, increasing direct care worker wages, development grants to assist new service providers, improvement of long-term care assessment, a consolidated entry point, and additional counseling for clients.

LFD ISSUE

Use of Funds is Unknown

The executive budget is not specific as to what the $11.0 million will fund. If the legislature approves the request, it would not know what it was purchasing. This request, although described as a community serves waiver expansion, is allocated to home based entitlement services, which are primarily personal assistance services and would be the service likely to receive rate increases to boost direct care worker wages.

Legislative Option

The legislature could request that SLTC specify what will be purchased. The legislature could also request an expanded justification, including goals, objectives, milestones, and measures to evaluate the expenditures. This information would help the legislature evaluate the appropriation request. If the legislature approves the appropriation, it could adopt the expanded justification and consider restricting the use of the appropriation to limit expenditures to those activities it deems worth while.

Sub-Program Details

VETERANS 02

Sub-Program Proposed Budget

The following table summarizes the total proposed executive budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011	Total Exec. Budget Fiscal 10-11
FTE	129.90	0.00	14.30	144.20	0.00	14.30	144.20	144.20
Personal Services	6,342,003	116,103	771,836	7,229,942	158,594	874,669	7,375,266	14,605,208
Operating Expenses	4,553,306	540,513	205,000	5,298,819	550,106	205,000	5,308,412	10,607,231
Equipment & Intangible Assets	162,151	0	0	162,151	0	0	162,151	324,302
Debt Service	14,003	1,600	0	15,603	1,600	0	15,603	31,206
Total Costs	**$11,071,463**	**$658,216**	**$976,836**	**$12,706,515**	**$710,300**	**$1,079,669**	**$12,861,432**	**$25,567,947**
State/Other Special	7,092,961	666,983	976,836	8,736,780	668,009	1,079,669	8,840,639	17,577,419
Federal Special	3,978,502	(8,767)	0	3,969,735	42,291	0	4,020,793	7,990,528
Total Funds	**$11,071,463**	**$658,216**	**$976,836**	**$12,706,515**	**$710,300**	**$1,079,669**	**$12,861,432**	**$25,567,947**

Sub-Program Description

Veterans' services are 5 percent of the FY 2011 division budget request. The program administers the two veterans' homes. The Montana Veterans' Home (MVH-Columbia Falls) is staffed by state employees and operation of the Eastern Montana Veterans' Home (EMVH-Glendive) is contracted, with 1.00 FTE state program administrator to oversee the contract. Figure 58 shows the total appropriation for each veterans' home compared to base budget expenditures, the estimated average daily population, and the annual cost per day of care.

The homes are funded from insurance, Medicare, Medicaid, and private payments, as well as federal Veterans' Administration per diem payments. The balance of costs not paid by these funding sources is paid from cigarette tax state special revenue allocated for veterans' uses. The funding for the vets' homes is discussed in greater detail in the division funding section. LFD staff evaluated funding and concluded that federal VA revenue could be increased and cigarette tax reduced.

Present law adjustments add about $3.4 million over the biennium, nearly all for the support of MVH and nearly all supported by cigarette tax state special revenue. The request for EMVH increases about $43,000 from base level funding.

The most significant change is in personal services costs with the addition of 14.38 new staff for MVH. Operating cost increases fund inflation in medical, utility, and food expenses as well as several upgrades to equipment and the MVH facility.

Figure 58

Veterans' Homes FY 2008 Expenditures and Revenues and 2011 Biennium Budget Request

Institution/ Cost/Funding	Actual FY 2008	Budgeted FY 2009	Executive Request FY 2010	Executive Request FY 2011
Montana Veterans' Home*				
FTE	128.89	128.81	143.19	143.19
Personal Services	$6,287,996	$6,023,156	$7,175,157	$7,319,598
All Other*	3,078,443	3,109,692	3,788,342	3,798,436
Total Cost	$9,366,439	$9,132,848	$10,963,499	$11,118,034
State Special Revenue	$6,833,103	$6,608,291	$8,438,942	$8,542,419
Federal	2,533,336	2,524,557	2,524,557	2,575,615
Population	105	106	104	104
Annual Cost Per Person	$89,204	$89,675	$105,418	$106,904
Cost Per Day	$244	$246	$289	$293
Annual Increase		0.8%	8.7%	1.4%
Annual Per Person Reimbursement				
State Special Revenue	$65,077	$69,934	$81,144	$82,139
Annual Increase		0.5%	11.7%	1.2%
Federal Funds	$24,127	$23,817	$24,275	$24,766
Annual Increase		-1.3%	1.9%	2.0%
Eastern MT Veterans' Home				
FTE	1.00	1.00	1.00	1.00
Personal Services	$54,007	$54,785	$54,785	$55,668
All Other	1,651,017	1,648,231	1,688,231	1,648,231
Total Cost	$1,705,024	$1,703,016	$1,743,016	$1,743,398
State Special Revenue	$259,858	$257,838	$297,838	$298,220
Federal	1,445,166	1,445,178	1,445,178	1,445,178
Population	66	55	66	66
Annual Cost Per Person	$25,834	$25,980	$26,409	$26,415
Cost Per Day	$71	$71	$72	$72
Annual Increase		0.0%	1.7%	0.0%
Annual Per Person Reimbursement				
State Special Revenue	$3,937	$5,557	$4,513	$4,518
Annual Change		-15.6%	14.6%	0.1%
Federal Funds	$21,896	$20,423	$21,897	$21,897
Annual Change		-6.7%	7.2%	0.0%

*MVH costs include both the skilled nursing facility (105 beds) and domicilliary unit (12 beds).

LFD ISSUE

New Staff are Anticipated to Reduce the Cost of Temporary Nursing Staff for Net Savings

The Veterans' sub-program includes funding for 14.30 new FTE at MVH. The SLTC documentation states that all of the new FTE will "pay for themselves" by reducing the cost of temporary nursing staff or preventing accidents and lost work time. LFD staff has requested that MVH provide estimated savings if the staff can be hired.

Legislative Option:
The legislature could reduce the MVH budget by the net anticipated savings if it approves the requests for new FTE.

LFD ISSUE

Cigarette Tax Funding Could be Reduced

A portion (the greater of 8.3 percent or $2 million) of cigarette tax proceeds is allocated to the Montana veterans' homes. At fiscal year end, the money in excess of $2 million in the veterans' home account is transferred to the general fund. The executive budget cigarette tax state special revenue request can be reduced by $1.1 million because the request understates increases in federal VA payments and reimbursements from insurance, Medicaid, and Medicare.

There are two major funding sources that offset the amount of cigarette tax needed to fund the veterans' homes: federal per capita payments from the Veterans' Administration (VA); and private payments, including insurance, social security, and other personal assets, and Medicare and Medicaid. Figure 58 shows the historic increase in daily payments from each major source.

Patient contributions (including insurance, Medicaid and Medicare) have increased at a faster pace than per capita VA payments. Patient contributions have grown in part because of a focused effort by DPHHS to identify all other sources of payment for veterans' home services.

Figure 59

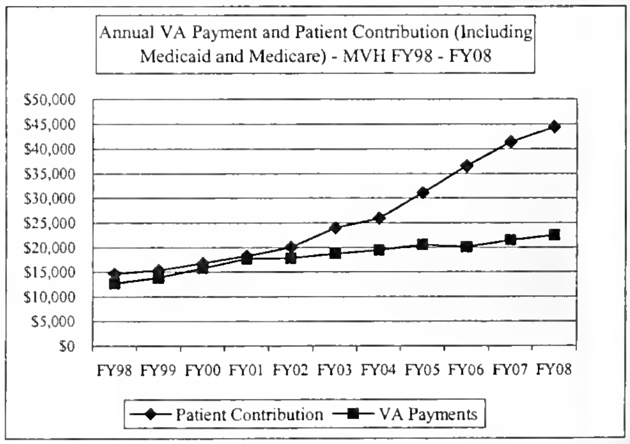


Figure 59 shows the amount of patient contribution included in the MVH budget request and the federal VA revenue requested for both veterans' homes. The contractor that manages EMVH receives the patient contribution revenue. If consistent growth rates are maintained among funding sources, up to $1.1 million in cigarette tax revenue could be offset.

LFD ISSUE (CONT.)

Executive Estimate of Patient Contributions

Since FY 1998, patient contributions have grown at an annual rate of 11.7 percent and in the last two years (FY 2006 to FY 2008) patient contributions have grown 10.2 percent per year.

The executive budget growth rate for patient contributions to MVH between FY 2008 and FY 2010 is 11.8 percent each year, but drops to 3.8 percent from FY 2010 to FY 2011. If the 11.8 percent growth rate were sustained, FY 2011 amounts for patient contributions would be about $390,000 greater.

Medicare Reimbursement Would Rise with per Day Cost

If the legislature approves all or a portion of the executive budget request for increases at MVH, the facility rate charged to Medicare would increase. LFD staff will review potential Medicare rate impacts after the legislature has taken action on the MVH budget request to determine the potential revenue impact and advise the legislature.

Executive Budget Estimates of Federal VA Payments

Annual increases in VA payments have ranged from 3.7 to 5.9 percent each year over the last 10 years. In the last two years (FY 2006 to FY 2008) VA payments have risen 5.8 percent per year. The executive request reduces VA payments by 0.4 percent between the base budget and FY 2010 and then increases them by 2.0 percent for MVH. Federal VA payments remain flat for EMVH. The DPHHS staff in charge of collecting revenues for state institutions administered by DPHHS estimates that VA payments will grow by 5.5 percent annually from FY 2009 through FY 2011.

Figure 60
Additional Revenue to Offset Cigarette Tax

Facility/Fund Source	FY08	FY10	FY11
Executive Request			
MVH			
Federal VA Payments			
Skilled Nursing Facility	$2,435,087	$2,417,835	$2,466,734
Annual Increase		-0.4%	2.0%
Domicilliary	98,249	106,722	108,881
Annual Increase		4.2%	2.0%
Insurance, Medicaid, and Medicare Reimbursement	3,873,671	4,841,870	5,023,533
		11.8%	3.8%
EMVH			
Federal VA Payments	1,445,166	1,445,178	1,445,178
Annual Increase		0.0%	0.0%
Additional Revenue if Revenue Growth Rates are Consistent			
MVH			
Federal VA Payments			
Skilled Nursing Facility	$2,435,087	$2,710,313	$2,859,380
Annual Increase		5.5%	5.5%
Additional Revenue		292,478	392,646
Domicilliary	98,249	$109,354	$115,368
Annual Increase		5.5%	5.5%
Additional Revenue		2,632	6,487
Insurance, Medicaid, and Medicare Reimbursement	3,873,671	4,841,870	5,413,253
		11.8%	11.8%
Additional Revenue		0	389,720
EMVH			
Federal VA Payments	1,445,166	$1,608,506	$1,696,974
Annual Increase		5.5%	5.5%
Additional Revenue		163,328	251,796
Grand Total Offset to Cigarette Tax State Special Revenue		$458,437	$650,929
Biennial Total Additional Revenue			$ 1,109,366

Figure 59 uses a 5.5 percent annual increase in VA payments and the 10.3 percent rate of growth for private contributions since that amount is more in line with historic experience.

Legislative Option

If the legislature adopts the revenue growth rates in Figure 60, it could offset $1.1 million in cigarette tax revenues, which would potentially increase transfers to the general fund depending on appropriations for capital projects and operating cost increases at the MVH.

Budget Summary By Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	0	0	0	0.00%	11,071,463	11,071,463	22,142,926	86.60%
Statewide PL Adjustments	0	0	0	0.00%	(235,599)	(192,510)	(428,109)	(1.67%)
Other PL Adjustments	0	0	0	0.00%	893,815	902,810	1,796,625	7.03%
New Proposals	0	0	0	0.00%	976,836	1,079,669	2,056,505	8.04%
Total Budget	**$0**	**$0**	**$0**		**$12,706,515**	**$12,861,432**	**$25,567,947**	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010					Fiscal 2011				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(10,814)					24,079
Vacancy Savings					(253,248)					(254,645)
Inflation/Deflation					37,453					46,784
Fixed Costs					(8,990)					(8,728)
Total Statewide Present Law Adjustments					**($235,599)**					**($192,510)**
DP 22201 - Montana Veterans' Home Contingency Fund	0.00	0	250,000	0	250,000	0.00	0	250,000	0	250,000
DP 22210 - MVH Restore Overtime/Holidays Worked.	0.00	0	380,165	0	380,165	0.00	0	389,160	0	389,160
DP 22222 - MVH Operating Expenses	0.00	0	263,650	0	263,650	0.00	0	263,650	0	263,650
Total Other Present Law Adjustments	**0.00**	**$0**	**$893,815**	**$0**	**$893,815**	**0.00**	**$0**	**$902,810**	**$0**	**$902,810**
Grand Total All Present Law Adjustments					**$658,216**					**$710,300**

DP 22201 - Montana Veterans' Home Contingency Fund - This request continues the restricted Montana Veterans Home Contingency Fund appropriation of $250,000 in state special revenue for each year of the biennium that has been previously appropriated by the 2003/ 2005/2007 Legislatures. These funds be used only subject to a determination by the Office of Budget and Program Planning that federal and/or state special revenue appropriations are insufficient to operate the Veterans Home in Columbia Falls in order to maximize the draw down of federal funds.

DP 22210 - MVH Restore Overtime/Holidays Worked. - This request adds $769,325 over the biennium from cigarette tax state special revenue for adjustments in personal service costs for overtime, holiday pay, and differential pay. The request is based on an analysis of base year costs, contract changes, holiday staffing patterns and historical data. These costs were removed from the FY 2008 base budget. Base budget costs for these items, excluding taxes of $143,325, were $354,765 or $78,530 lower than the estimated 2011 biennium costs.

DP 22222 - MVH Operating Expenses - This request adds $530,000 cigarette tax state special revenue over the biennium for adjustments in operating costs for the Montana Veterans' Home. One of the adjustments would fund a new meal plan, moving from a three meal to a five meal plan. Most adjustments add funds to address inflationary increases in

medical supplies and services as well as food and energy costs. The amounts requested are sometimes in excess of the standard inflationary adjustments adopted in development of all agency budgets.

LFD ISSUE

Price Increases may be less than Expected

The national economy has entered a recession. Prices for some commodities such as gasoline have declined substantially since this request was developed.

Legislative Option
The legislature may wish to review the inflationary increases to determine whether they are in excess of expected price changes over the coming biennium.

New Proposals

New Proposals	Fiscal 2010					Fiscal 2011				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 22102 - MVH Dom/Nursing Wing Facility Upgrades										
02	0.00	0	165,000	0	165,000	0.00	0	165,000	0	165,000
DP 22105 - MT Vets Home Safety Officer										
02	1.00	0	55,470	0	55,470	1.00	0	55,488	0	55,488
DP 22114 - EMVH Facility Painting and Upgrades - OTO										
02	0.00	0	40,000	0	40,000	0.00	0	40,000	0	40,000
DP 22115 - MT Vets Home New CNAs FTE										
02	4.80	0	223,874	0	223,874	4.80	0	224,514	0	224,514
DP 22117 - MVH Additional Aggregate RNs										
02	2.00	0	183,095	0	183,095	2.00	0	183,790	0	183,790
DP 22118 - MVH Additional Aggregate LPNs										
02	0.50	0	30,561	0	30,561	0.50	0	30,656	0	30,656
DP 22119 - MVH Additional Aggregate CNAs										
02	3.00	0	134,655	0	134,655	3.00	0	135,114	0	135,114
DP 22120 - MVH Additional Aggregate Activity Positions										
02	3.00	0	110,656	0	110,656	3.00	0	111,017	0	111,017
DP 22122 - MVH Wage Increases Based On Wage Survey										
02	0.00	0	33,525	0	33,525	0.00	0	134,090	0	134,090
Total	**14.30**	**$0**	**$976,836**	**$0**	**$976,836**	**14.30**	**$0**	**$1,079,669**	**$0**	**$1,079,669**

<u>DP 22102 - MVH Dom/Nursing Wing Facility Upgrades -</u> This proposal represents the estimated costs of two repair and maintenance projects at the Montana Veterans' Home (MVH). One will involve replacing flooring, doors and handrails in the Nursing wing hallway. The second project scheduled is a refurbishing of the 1970 VA Domiciliary rooms, including some repairs (new tiles, sinks, etc) and new furniture. This project will improve the Domiciliary living quarters, so they are similar to other assisted living facilities in the Flathead Valley. The estimated cost of both projects is $165,000 each year of the biennium from state special revenue derived from cigarette taxes.

<u>DP 22105 - MT Vets Home Safety Officer -</u> This request adds $110,958 cigarette tax state special funds to add 1.00 FTE for a safety officer at the Montana Veterans' Home to reduce workman's compensation claims and the cost of replacing staff that cannot work due to on the job injuries. The FTE would be responsible for the total facility safety program including on the job training and safety analysis.

<u>DP 22114 - EMVH Facility Painting and Upgrades - OTO -</u> This request adds $80,000 cigarette tax state special revenue for the biennium for painting and repairs in the common areas as well as 23 resident rooms of the A and B wings due to high resident traffic and damage from resident wheelchairs.

<u>DP 22115 - MT Vets Home New CNAs FTE -</u> The request adds $448,388 cigarette tax state special revenue for 4.80 new FTE to address acuity levels in the 40-bed unit. Within the past three years from November 11, 2004 to September

1, 2007, there was a 33 percent increase in activities of daily living and an 18 percent increase in the case mix index. This data was gathered from the Medicaid/Medicare RUG's report. Current staffing levels for day and afternoon shifts are three aides to 40 residents, about .075 aides per resident. The proposal would increase the aide staffing pattern by 33 percent to .098 aides per resident. The request would fund the addition of one certified nurse aide (CNA) on each shift for seven days each week or 1.60 FTE x 3 shifts = 4.80 FTE.

LFD COMMENT

CNAs Difficult to Recruit

The division noted that CNAs at the Montana Veterans' Home were very difficult to recruit and retain. The legislature may wish to ask SLTC how it will ensure that the new FTE are filled.

DP 22117 - MVH Additional Aggregate RNs - The request adds $365,885 cigarette tax state special revenue for 2.00 FTE to the aggregate position numbers for registered nurses (RNs) in order to fund what the facility spends annually to provide relief staffing in the form of on-call and per diem employees. If the facility can recruit and retain these types of employees to fill relief shifts the result is the reduction to temporary nursing services staff and a net savings to the facility.

DP 22118 - MVH Additional Aggregate LPNs - The request adds $61,217 cigarette tax state special revenue to add 0.50 FTE to the aggregate position numbers for licensed practical nurses (LPNs) in order to fund what the facility spends annually to provide relief staffing in the form of on-call and per diem employees. If the facility can recruit and retain these types of employees to fill relief shifts the result is the reduction to temporary nursing services staff and a net savings to the facility.

DP 22119 - MVH Additional Aggregate CNAs - The request adds $169,769 cigarette tax state special revenue to add 3.00 FTE to the aggregate position for CNAs in order to fund what the facility spends annually to provide relief staffing in the form of on-call and per diem employees. If the facility can recruit and retain these types of employees to fill relief shifts the result is the reduction to temporary nursing services staff and a net savings to the facility.

DP 22120 - MVH Additional Aggregate Activity Positions - The request adds $221,673 in cigarette tax state special revenue for 3.00 activity aggregate FTE. This aggregate position pays trainees hired to take the four week certified nurse aide class. Ten people are hired and paid $8.00 per hour for four weeks plus benefits. By retaining the majority of these employees, the facility reduces the cost of using temporary nursing services staff.

DP 22122 - MVH Wage Increases Based On Wage Survey - This proposal adds $167,615 in cigarette tax state special funds to raise professional nurse and nurse's aide wages to make pay rates competitive with other nursing homes in the Flathead Valley. The new proposal adds earmarked funds a pay raises for nursing staff if the Flathead Valley Wage Survey (to be conducted in January of 2010) indicates that MVH pay rates are low. The funds would allow a maximum raise of $1.00 to 50 cents per hour depending on the position on April 1, 2010. In the event that the January 2010 wage survey indicates a disparity of less than $1.00 to .50 cents per hour, MVH would fund the lesser amount and the remaining funds would be reverted to the state special revenue fund.

Sub-Program Details

AGING 03

Sub-Program Proposed Budget
The following table summarizes the proposed executive budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011	Total Exec. Budget Fiscal 10-11
FTE	10.00	0.00	0.00	10.00	0.00	0.00	10.00	10.00
Personal Services	505,108	56,171	0	561,279	57,535	0	562,643	1,123,922
Operating Expenses	417,397	12,255	0	429,652	23,125	0	440,522	870,174
Equipment & Intangible Assets	26,886	0	0	26,886	0	0	26,886	53,772
Grants	9,089,181	380,205	1,136,112	10,605,498	380,205	1,253,082	10,722,468	21,327,966
Benefits & Claims	963,100	26,991	0	990,091	70,407	0	1,033,507	2,023,598
Total Costs	**$11,001,672**	**$475,622**	**$1,136,112**	**$12,613,406**	**$531,272**	**$1,253,082**	**$12,786,026**	**$25,399,432**
General Fund	3,701,870	272,830	1,136,112	5,110,812	327,085	1,253,082	5,282,037	10,392,849
Federal Special	7,299,802	202,792	0	7,502,594	204,187	0	7,503,989	15,006,583
Total Funds	**$11,001,672**	**$475,622**	**$1,136,112**	**$12,613,406**	**$531,272**	**$1,253,082**	**$12,786,026**	**$25,399,432**

Sub-Program Description
The aging function administers grants for community services managed by local agencies and the contract for payment of the state supplement and the monthly supplement amount for persons eligible for Social Security Insurance payments due to their disability and low income. The 2011 biennium budget request is about $3.4 million higher than base budget expenditures, including $2.1 million general fund. Most of the increase is in grants that will support community aging services. Anticipated increases in federal aging grants add about $400,000 over the biennium.

The legislature added $1.5 million general fund each year for community based aging services during the 2009 biennium as a one time appropriation. The executive budget includes a new proposal to continue $1.1 million of the funds. The types and amount of services are listed in the expanded justification for the new proposal. Figure 61 shows FY 2008 expenditures from the $1.5 million general fund one time appropriation.

Figure 61
Allocation of $1.5 Million State General Fund
One Time Only Funds

Expenditure Category	Amount	% of Ttl
COMMUNITY SERVICES		
Senior Centers	$354,816	23.7%
Congregate Meals	420,089	28.0%
Health Promotion	1,488	0.1%
Ombudsman	33,311	2.2%
Caregiver Support	26,424	1.8%
Volunteers	47,200	3.1%
Other - Senior Housing*	15,000	1.0%
Subtotal Community Services	898,328	59.9%
ACCESS SERVICES		
Transportation	24,501	1.6%
Information & Assistance	103,942	6.9%
Insurance Counseling (SHIP)	4,000	0.3%
Case Management	2,400	0.2%
Outreach	19,708	1.3%
Subtotal Access Services	154,551	10.3%
IN HOME SERVICES		
Home Delivered Meals	327,753	21.9%
Homemaker	51,860	3.5%
Skilled Nursing	13,610	0.9%
Personal Care - Respite	53,495	3.6%
Other	403	0.0%
Subtotal In Home Services	447,121	29.8%
GRAND TOTAL	$1,500,000	100.0%

*Community Development Block Grant application assistance
Source: Senior and Long Term Care Division, Department of Public Health and Human Services, November 3, 2008.

Budget Summary By Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	3,701,870	3,701,870	7,403,740	71.24%	11,001,672	11,001,672	22,003,344	86.63%
Statewide PL Adjustments	8,695	8,942	17,637	0.17%	57,592	59,234	116,826	0.46%
Other PL Adjustments	264,135	318,143	582,278	5.60%	418,030	472,038	890,068	3.50%
New Proposals	1,136,112	1,253,082	2,389,194	22.99%	1,136,112	1,253,082	2,389,194	9.41%
Total Budget	**$5,110,812**	**$5,282,037**	**$10,392,849**		**$12,613,406**	**$12,786,026**	**$25,399,432**	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010					Fiscal 2011				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					79,557					80,979
Vacancy Savings					(23,386)					(23,444)
Inflation/Deflation					1,421					1,699
Total Statewide Present Law Adjustments					**$57,592**					**$59,234**
DP 22209 - Annualize Aging Services Provider Increase	0.00	226,310	0	0	226,310	0.00	226,310	0	0	226,310
DP 22211 - State Supplemental Payments	0.00	37,825	0	0	37,825	0.00	91,833	0	0	91,833
DP 22220 - Increase in Federal Aging Grants	0.00	0	0	153,895	153,895	0.00	0	0	153,895	153,895
Total Other Present Law Adjustments	**0.00**	**$264,135**	**$0**	**$153,895**	**$418,030**	**0.00**	**$318,143**	**$0**	**$153,895**	**$472,038**
Grand Total All Present Law Adjustments					**$475,622**					**$531,272**

<u>DP 22209 - Annualize Aging Services Provider Increase -</u> This proposal adds $552,620 general fund over the biennium to annualize the 2.5 percent provider increase in FY 2009 for the aging services program. Aging services provider rate increases are funded 100 percent general fund. Funding is allocated among the 10 Areas Agencies on Aging through a contract with SLTC.

<u>DP 22211 - State Supplemental Payments -</u> This proposal adds about $130,000 general fund over the biennium to fund cost increases for state supplemental payments. The payments are made to SSI eligible individuals who reside in designated residential care facilities, such as community homes for persons with developmental disabilities, adult foster homes, or assisted living facilities. The monthly benefit is $94 dollars on average with an administrative processing fee expected to be $10.55 in 2010, increasing to $10.95 in 2011. State supplemental payments are funded entirely from the general fund.

<u>DP 22220 - Increase in Federal Aging Grants -</u> This request adds about $154,000 additional federal funds per year due to anticipated federal grant increases for community aging services. The funds would augment contracts with Area Agencies on Aging.

New Proposals

New Proposals										
	Fiscal 2010					Fiscal 2011				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 22101 - Continue Aging Services Funding										
03	0.00	1,050,000	0	0	1,050,000	0.00	1,050,000	0	0	1,050,000
DP 22109 - Provider Rate Increase - Aging Services										
03	0.00	86,112	0	0	86,112	0.00	203,082	0	0	203,082
Total	**0.00**	**$1,136,112**	**$0**	**$0**	**$1,136,112**	**0.00**	**$1,253,082**	**$0**	**$0**	**$1,253,082**

DP 22101 - Continue Aging Services Funding - This proposal adds $1,050,000 general fund each year of the biennium to support aging programs and aging services such as meals and in-home assistance administered by Area Agencies on Aging. The 2007 Legislature appropriated $1,500,000 general fund each year of the 2009 biennium, designated as one time only (OTO).

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: These funds would continue services initiated in the 2009 biennium from the $1.5 million general fund OTO appropriation. The funds were used to repair and renovate senior centers, expand congregate and home delivered meals, maintain and increase transportation services, homemaker services, respite care, and skilled nursing, as well as provide information and assistance to help people make long term care decisions for themselves or their loved ones.

Goals: The goal of this proposal is to continue to provide services to the elderly through increased in-home services, assistance to caregivers of the elderly, maintain and increase transportation services, congregate and home delivered meals.

Performance Criteria and Milestones: Continuation of these funds would allow the department to provide and attempt to maintain services at the current level of effort, which may be difficult due to the reduction in the ongoing funding request. The services that would be continued are:

- Congregate meals - 87,519 units of service
- Home delivered meals/Meals on Wheels - 51,211 units of service
- Personal care/respite care services - 8,020 units of service
- Health prevention - 508 units of service
- Caregiver support services - 823 units of service
- Homemaker services - 2,756 units of service
- Transportation - 3,017 units of service
- Skilled nursing - 504 units of service

The elderly, caregivers, and family members would be provided information, assistance and outreach efforts in providing them with information that will help them plan and determine the services and options available to them as they plan for their long term care needs.

Equipment replacement and renovation of senior centers is an on-going need that helps fulfill social and nutritional needs of the elderly in their local community.

FTE: No additional FTE will be needed.

Funding: $2.1 million general fund over the biennium

Challenges to Implementation: The major obstacle is finding good quality healthcare workers in rural frontier counties to provide in-home and caregiver services. Some prioritization may need to occur at the local level due to the reduction from $1.5 million to $1.1 million each year.

Risks of Not Adopting Proposal: If these funds are not continued, much needed renovation and equipment replacement at senior centers will end and services to elderly citizens such as meal programs and in home services, especially to those living alone as well as those in our rural communities, will be reduced in order to operate the programs within the level of funding available.

DP 22109 - Provider Rate Increase - Aging Services - This proposal requests $289,194 general fund over the biennium for a 1 percent provider rate increase effective October 1 in each year of the biennium for Aging Services Programs. The annualized rate is 0.75 percent due to delayed implementation.

Sub-Program Details

SLTC DIVISION ADMINISTRATION 04

Sub-Program Proposed Budget
The following table summarizes the proposed executive budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011	Total Exec. Budget Fiscal 10-11
FTE	5.00	0.00	0.00	5.00	0.00	0.00	5.00	5.00
Personal Services	327,606	15,740	0	343,346	17,733	0	345,339	688,685
Operating Expenses	182,046	204,191	0	386,237	235,716	0	417,762	803,999
Equipment & Intangible Assets	4,039	0	0	4,039	0	0	4,039	8,078
Total Costs	**$513,691**	**$219,931**	**$0**	**$733,622**	**$253,449**	**$0**	**$767,140**	**$1,500,762**
General Fund	229,289	56,620	0	285,909	69,879	0	299,168	585,077
State/Other Special	74,277	16,549	0	90,826	21,654	0	95,931	186,757
Federal Special	210,125	146,762	0	356,887	161,916	0	372,041	728,928
Total Funds	**$513,691**	**$219,931**	**$0**	**$733,622**	**$253,449**	**$0**	**$767,140**	**$1,500,762**

Sub-Program Description
The SLTC division administration budget request grows about $470,000 over the biennium compared to base budget expenditures. Present law adjustments of about $540,000 are offset due to removal of about $47,000 for rent of Department of Administration buildings. Nearly the same amount for rent is included in the present law adjustment to pay for leased space off the capitol complex.

LFD ISSUE

Cost Shift to General Fund

There funding ratios between general fund, state special revenue, and federal funds change between base budget funding and the adjusted base budget for FY 2010 and FY 2011 increasing general fund by about $35,000 over the biennium.

Legislative Option
The legislature could opt to fund the adjusted base budget for adult protective services function at the same funding ratios as the base budget, reducing general fund cost of statewide present law adjustments by about $35,000 and increasing other funding sources by a like amount.

Budget Summary By Category
The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	229,289	229,289	458,578	78.38%	513,691	513,691	1,027,382	68.46%
Statewide PL Adjustments	(23,677)	(17,858)	(41,535)	(7.10%)	(33,663)	(31,667)	(65,330)	(4.35%)
Other PL Adjustments	80,297	87,737	168,034	28.72%	253,594	285,116	538,710	35.90%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	**$285,909**	**$299,168**	**$585,077**		**$733,622**	**$767,140**	**$1,500,762**	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010					Fiscal 2011				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					30,046					32,122
Vacancy Savings					(14,306)					(14,389)
Inflation/Deflation					59					62
Fixed Costs					(49,462)					(49,462)
Total Statewide Present Law Adjustments					**($33,663)**					**($31,667)**
DP 22219 - Operating Cost Adjustments	0.00	80,297	0	173,297	253,594	0.00	87,737	0	197,379	285,116
Total Other Present Law Adjustments	**0.00**	**$80,297**	**$0**	**$173,297**	**$253,594**	**0.00**	**$87,737**	**$0**	**$197,379**	**$285,116**
Grand Total All Present Law Adjustments					**$219,931**					**$253,449**

DP 22219 - Operating Cost Adjustments - This request funds several operating cost adjustments for the Medicaid program – about $540,000 total funds with half the cost funded by general fund. The most significant component funds a rate increase of 3.0 percent for the contract with the Mountain Pacific Quality Health Foundation for several Medicaid program functions. The foundation provides utilization review to determine level of care needed by patients admitted to the waiver or to nursing homes, prior authorization for state plan personal assistance services, and database maintenance activities. The base year cost was lower than the actual cost due to delayed billing by the contractor. This adjustment also funds other contracts with accounting firms to perform audits of nursing facilities due to new federal definition of units of government facilities and the requirement to reimburse these providers at no more than their Medicaid cost. The adjustment would fund 14 audits annually at about $4,000 per audit. There is a very small reduction included in this reduction due to elimination of grounds maintenance fees since the division moved to space outside the capitol complex.

Sub-Program Details

ADULT PROTECTIVE SERVICES 05

Sub-Program Proposed Budget
The following table summarizes proposed executive budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011	Total Exec. Budget Fiscal 10-11
FTE	40.25	0.00	2.50	42.75	0.00	4.00	44.25	44.25
Personal Services	2,012,260	148,388	146,784	2,307,432	155,819	238,058	2,406,137	4,713,569
Operating Expenses	441,633	36,548	0	478,181	45,134	0	486,767	964,948
Equipment & Intangible Assets	13,442	0	0	13,442	0	0	13,442	26,884
Benefits & Claims	38,365	0	0	38,365	0	0	38,365	76,730
Total Costs	**$2,505,700**	**$184,936**	**$146,784**	**$2,837,420**	**$200,953**	**$238,058**	**$2,944,711**	**$5,782,131**
General Fund	1,803,059	171,090	0	1,974,149	183,504	0	1,986,563	3,960,712
State/Other Special	318,192	(872)	146,784	464,104	(958)	238,058	555,292	1,019,396
Federal Special	384,449	14,718	0	399,167	18,407	0	402,856	802,023
Total Funds	**$2,505,700**	**$184,936**	**$146,784**	**$2,837,420**	**$200,953**	**$238,058**	**$2,944,711**	**$5,782,131**

Sub-Program Description
The Adult Protective Services (APS) program is responsible for the investigation of abuse, neglect, and exploitation of adults. Additionally, the program has about $40,000 annually to help provide emergency services such as temporary lodging and cleaning. The majority of FTE in the program are adult protective services social workers.

The APS program budget rises $770,731 over the biennium, nearly evenly split between present law adjustments and new proposals. General fund supports a little less than half of the increase ($355,000).

Statewide present law adjustments primarily in personal services are about $341,000 of the total. New proposals fund 4.00 new FTE from lien and estate special revenue ($383,000). A request to replace six cars leased from the Montana Department of Transportation motor pool is about $47,000 of the increase.

LFD ISSUE

Cost Shift to General Fund

There funding ratios between general fund, state special revenue, and federal funds change between base budget funding and the adjusted base budget for FY 2010 and FY 2011 increasing general fund by about $90,000 over the biennium.

Legislative Option
The legislature could opt to fund the adjusted base budget for adult protective services function at the same funding ratios as the base budget, reducing the general fund cost of statewide present law adjustments by about $90,000 and increasing other funding sources by a like amount.

Budget Summary By Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	$1,803,059	$1,803,059	$3,606,118	91.05%	$2,505,700	$2,505,700	$5,011,400	86.67%
Statewide PL Adjustments	$161,087	$170,050	$331,137	8.36%	$164,930	$174,045	$338,975	5.86%
Other PL Adjustments	$10,003	$13,454	$23,457	0.59%	$20,006	$26,908	$46,914	0.81%
New Proposals	0	0	0	0.00%	$146,784	$238,058	$384,842	6.66%
Total Budget	**$1,974,149**	**$1,986,563**	**$3,960,712**		**$2,837,420**	**$2,944,711**	**$5,782,131**	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010					Fiscal 2011				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					238,414					246,155
Vacancy Savings					(90,026)					(90,336)
Inflation/Deflation					16,792					18,476
Fixed Costs					(250)					(250)
Total Statewide Present Law Adjustments					**$164,930**					**$174,045**
DP 22203 - Dept of Transportation Cars	0.00	10,003	0	10,003	20,006	0.00	13,454	0	13,454	26,908
Total Other Present Law Adjustments	**0.00**	**$10,003**	**$0**	**$10,003**	**$20,006**	**0.00**	**$13,454**	**$0**	**$13,454**	**$26,908**
Grand Total All Present Law Adjustments					**$184,936**					**$200,953**

<u>DP 22203 - Dept of Transportation Cars -</u> This request adds about $47,000 total funds over the biennium, with half the cost supported by general fund, to replace six department owned cars with leased cars from the state motor pool. One of the cars has major mechanical problems and five of the cars had over 100,000 miles as of August, 2008.

New Proposals

New Proposals		Fiscal 2010					Fiscal 2011				
	Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 22112 - New APS Field Staff	05	2.50	0	146,784	0	146,784	4.00	0	238,058	0	238,058
Total		**2.50**	**$0**	**$146,784**	**$0**	**$146,784**	**4.00**	**$0**	**$238,058**	**$0**	**$238,058**

<u>DP 22112 - New APS Field Staff -</u> The request funds 4.00 new APS FTE. 3.00 of the new FTE will be field APS workers stationed in areas where referrals are the highest. 1.00 of the new FTE would be added to:

- o Monitor ongoing guardianship role of the state and its wards
- o Make contact with wards
- o Review and recommend continuation/termination of guardianship status
- o Provide a centralized, coordinated state contact person when issues of guardianship arise

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: Montana has experienced a 10 percent increase in adult abuse/neglect/exploitation referrals in one year (FY 2007 – 4,592 referrals and FY 08 – 5,003 referrals). The target is 90 referrals per worker per year and 5 to 6 guardianships per worker per year. Targeted caseload and acuity levels (difficulty of case) now exceed available personnel.

Adult Protective Services is the only statutorily identifiable state agency serving as "public guardian" for adults in imminent risk of injury or death and are incapacitated. APS is experiencing significant pressure from various health care providers and advocacy institutions to become guardian to an increased vulnerable population. APS saw an increase of 33 additional guardianships in one fiscal year despite efforts to transfer cases to non-profits (FY 2007 - 185 guardianships and FY 08 - 218 guardianships). Currently APS has 225 guardianships.

Performance Criteria and Milestones: Upon employment of additional staff or expansion of existing staff, it is expected that APS protective workers immediately begin taking referrals, making interventions and investigations, and assuming guardianship roles. Referral, caseload, acuity (difficulty of case), and duration of investigation and number of guardianships per worker is monitored daily through department computer data system known as Operation Protect Montana (OPM). Regional supervisors will monitor timeliness of intervention and protection of vulnerable populations.

FTE: 4.00 new FTE are funded in this request

Funding: Funding is being requested from lien and state recovery state special revenue.

Challenges to Implementation: Ability to recruit and retain qualified APS certified social workers. Employees are placed in high stress situations, intervening in dysfunctional and often dangerous environments, where the vulnerable populations are experiencing neglect, abuse, or exploitation

Risks of Not Adopting Proposal: Increased referrals of abuse/neglect/exploitation cases cannot be responded to in a timely manner with current staff levels in certain parts of the state. Failure to timely respond to victims of abuse/neglect/exploitation may result in serious harm, injury or death to Montana consumers with liability consequences for state. There are increased employee retention issues because of high degree of stress in responding to referrals above targeted caseloads and responsibilities as guardian.

LFD COMMENT

Evaluation Criteria are not Specific

The evaluation criteria submitted with the expanded justification are not specific, yet DPHHS plans to collect workload statistics. The legislature could ask DPHHS to provide base line data and 2011 biennium data on the workload statistics of referrals and guardianships. The legislature could include those measures if it approves this request.

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	626.85	626.85	630.85	630.85	626.85	630.85	4.00	0.64%
Personal Services	32,582,100	36,947,056	38,785,347	39,081,461	69,529,156	77,866,808	8,337,652	11.99%
Operating Expenses	14,373,649	11,476,817	15,226,563	15,508,422	25,850,466	30,734,985	4,884,519	18.90%
Equipment & Intangible Assets	227,741	27,000	227,741	227,741	254,741	455,482	200,741	78.80%
Grants	9,947,378	11,538,389	11,462,468	11,476,729	21,485,767	22,939,197	1,453,430	6.76%
Benefits & Claims	46,081,172	65,343,210	56,586,647	59,318,440	111,424,382	115,905,087	4,480,705	4.02%
Transfers	0	0	0	0	0	0	0	n/a
Debt Service	38,153	106,196	42,953	42,953	144,349	85,906	(58,443)	(40.49%)
Total Costs	**$103,250,193**	**$125,438,668**	**$122,331,719**	**$125,655,746**	**$228,688,861**	**$247,987,465**	**$19,298,604**	**8.44%**
General Fund	55,876,309	63,169,445	66,143,850	67,779,736	119,045,754	133,923,586	14,877,832	12.50%
State Special	9,817,772	13,088,335	12,781,914	12,912,314	22,906,107	25,694,228	2,788,121	12.17%
Federal Special	37,556,112	49,180,888	43,405,955	44,963,696	86,737,000	88,369,651	1,632,651	1.88%
Total Funds	**$103,250,193**	**$125,438,668**	**$122,331,719**	**$125,655,746**	**$228,688,861**	**$247,987,465**	**$19,298,604**	**8.44%**

Program Description

The Addictive and Mental Disorders Division (AMDD) is responsible for providing alcohol and drug prevention services, treatment and aftercare services, and mental health treatment services. Alcohol and drug services are provided through inpatient and outpatient settings. Direct inpatient services are provided at the 76-bed Montana Chemical Dependency Center (MCDC) in Butte. Other inpatient, outpatient, and prevention services are provided through contracts with community-based programs around the state.

Community-based mental health services are delivered to eligible Medicaid and non-Medicaid individuals through a network of providers around the state. Non-Medicaid services are delivered through the Mental Health Services Plan (MHSP) and provide services to individuals earning up to 150 percent of the federal poverty level. The Montana State Hospital (MSH) at Warm Springs (189 licensed beds) and the Montana Mental Health Nursing Care Center (MMHNCC) at Lewistown (165 beds available with 75 beds budgeted) provide institutional services to individuals with mental illness. The services at MSH are typically of a short duration while services for residents at the MMHNCC are considered to be long term.

Statutory references: Mental health is in Title 53, Chapter 21, parts 1 through 7 and part 10, MCA, and P. L. 102-321, CFR. Chemical dependency is in Title 53, Chapters 1 and 24, MCA, and Part C, Title XIX of the Social Security Act.

Program Highlights

Addictive and Mental Disorder Division
Major Budget Highlights

- The 2011 biennium budget is $19.3 million more than the 2009 biennium budget, including $14.9 million general fund
- Most of the change is in personal services costs, which increase a total of $8.4 million rising to $77.9 million in the 2011 biennium due to changes in state institution budgets
    - Institution costs drive the increase due to annualization of 2009 biennium pay plan and reinstatement of overtime, holiday, and shift differential costs, which are removed from the base budget

- Services costs increase a small amount - $5.5 million - growing to a total of $115 million in the 2011 biennium
  - Medicaid costs were lower than the FY 2008 appropriation and growth trends are moderate
  - Much of the increase is related to annualization of the cost of initiatives implemented in FY 2008
- ♦ Compared to base budget expenditures, other major components of the executive request include:
  - $2.8 million general fund to annualize the costs of 72 hour community crisis stabilization services
  - $1.6 million general fund to continue Goal 189 services initiated by DPHHS in FY 2008 to fund community services for persons ready to be discharged from or at risk of being admitted to the Montana State Hospital
  - $1.5 million total ($0.7 million general fund) for a 1 percent provider rate increase each year of the biennium
- ♦ Nearly all new initiatives funded by the 2007 Legislature were implemented in the 2009 biennium
- ♦ AMDD goals and objectives establish desirable outcomes and demonstrate cross agency cooperation

Major LFD Issues

- ♦ Use of health and Medicaid initiatives funds for the Mental Health Services Plan appears to be illegal
- ♦ Medicaid caseload trends may be too high
- ♦ Waiver implementation should be reviewed to determine whether full enrollment is likely
  - The average annual cost of the waiver appears to be significantly less than the average cost used to develop the 2011 biennium budget request
- ♦ AMDD goals and objectives lack measures and time frames - it is not possible to tell if outcomes are attained

Program Narrative

The AMDD 2011 biennium budget request is $19.3 million greater than the 2009 biennium, including $14.9 million general fund. Changes in state institution budgets account for $12.8 million of the total change, and $11.6 million of the increase in general fund.

The largest increase is in personal services, including 4.00 new FTE, although the cost of new FTE contributes only marginally to the 2011 biennium increase. Personal services costs increase due to:

- o Annualization of 2009 biennium pay plan increases primarily at state institutions, including additional pay raises given to nurses ($2.50 per hour) and licensed practical nurses (entry level wage increased by $2.35 per hour; hourly increase was greater for existing staff and varied by market rate of each position) in FY 2008 in order to recruit and retain staff at the state hospital
- o Removal of overtime, shift differential, and holiday institutional expenditures in the FY 2008 and requests to reinstate funding in FY 2010 and FY 2011
- o Fully funding vacant positions, particularly at state institutions, which experienced difficulty in recruiting and retaining medical staff

Operating cost increases between the biennia are largely due to inflation in medical, food, and utility costs at the three state institutions administered by AMDD.

Total Medicaid costs are $2.1 million lower in the 2011 biennium than the 2009 biennium, including $1.5 million general fund. The biggest change is from the one time appropriation for a behavioral inpatient health facility (BHIF) for $4.8 million total funds, including $1.5 million general fund. Additionally, there was slower growth than anticipated in FY 2008. Medicaid costs were $15.2 million lower than the appropriation – mostly in the AMDD community based services waiver, which expanded much more slowly than anticipated

The biennial comparisons include FY 2009 appropriations, which fund increases for caseload, institution inflation and personal services above the base budget level, and the full cost of programs partially implemented in FY 2008. Since the executive budget is built from the FY 2008 base budget, annual adjustments account for some of the FY 2009 increases; therefore, the executive budget changes exceed the biennial difference.

Executive Budget Changes Compared to Base Budget

The major components of the AMDD 2011 biennium executive budget request compared to the 2008 base budget are:

- $8.1 million general fund ($9.2 million total funds) for institutional changes, including requests to restore overtime, holiday, and shift differential pay, funding for aggregate positions, including 4.00 new FTE for the Montana Chemical Dependency Center (MCDC), and inflation in operating costs
- $5.0 million general fund ($14.0 million total funds) to annualize the cost of programs partially implemented in FY 2008
- $3.9 million general fund ($9.2 million total funds) for Medicaid service utilization and eligibility increases

Benefits and claims – payments for services for eligible individuals – is the largest component of the AMDD budget increasing from $46.1 million in FY 2008 to $59.3 million in FY 2011. Personal services is the next largest component rising from $32.6 million to $39.1 million over the same time period. AMDD has about 630 FTE, most of whom (93 percent) work in the three state institutions administered by the division.

Figure 62 shows the AMDD base budget compared to the 2011 biennium request by major function and individual programs. The mental health function of the division has the largest budget – about 84 percent of the FY 2011 request compared to the addiction services budget with 14 percent.

Figure 62

Addictive and Mental Disorders Division FY 2008 Base Budget Expenditures Compared to 2011 Biennium Executive Budget Request

Budget Component	FY 2008 Base Budget Expenditures				FY 2010 Executive Request				FY 2011 Executive Request				% of Ttl
Function/Benefit	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	Division
Total Division													
Division Admin.	$905,441	$158,926	$578,386	$1,642,753	$990,676	$149,032	$536,534	$1,676,242	$997,231	$149,989	$540,671	$1,687,891	1.3%
Mental Health	52,980,512	5,180,859	27,065,756	85,227,127	62,989,570	7,369,373	32,487,582	102,846,525	64,554,130	7,405,393	34,016,079	105,975,602	84.3%
Addiction Services	1,990,356	4,477,987	9,911,970	16,380,313	2,163,604	5,263,509	10,381,839	17,808,952	2,228,375	5,356,932	10,406,946	17,992,253	14.3%
Total Division	$55,876,309	$9,817,772	$37,556,112	$103,250,193	$66,143,850	$12,781,914	$43,405,955	$122,331,719	$67,779,736	$12,912,314	$44,963,696	$125,655,746	100.0%
Percent of Total	54.1%	9.5%	36.4%	100.0%	54.1%	10.4%	35.5%	100.0%	53.9%	10.3%	35.8%	100.0%	
State Institution Costs													
State Hospital	$28,808,461	$422,963	$0	$29,231,424	$32,809,103	$422,517	$0	$33,231,620	$33,113,035	$422,509	$0	$33,535,544	26.7%
Nursing Care Center	7,693,018	0	0	7,693,018	9,500,955	0	0	9,500,955	9,670,893	0	0	9,670,893	7.7%
Chemical Dependency Cnt	0	3,791,337	457,083	4,248,420	0	4,404,899	456,994	4,861,893	0	4,475,894	456,995	4,932,889	3.9%
Subtotal Institutions	$36,501,479	$4,214,300	$457,083	$41,172,862	$42,310,058	$4,827,416	$456,994	$47,594,468	$42,783,928	$4,898,403	$456,995	$48,139,326	38.3%
% of Total Division Budget	65.3%	42.9%	1.2%	39.9%	64.0%	37.8%	1.1%	38.9%	63.1%	37.9%	1.0%	38.3%	
Grants													
Mental Health Grants													
Mental Health Srvs Plan*	$5,626,598	$0	$1,201,776	$6,828,374	$475,000	$0	$0	$475,000	$475,000	$0	$0	$475,000	0.4%
72 Hr Crisis Care	83,300	0	0	83,300	1,412,473	0	0	1,412,473	1,412,473	0	0	1,412,473	1.1%
Drop In Centers	256,656	0	0	256,656	361,647	0	0	361,647	361,647	0	0	361,647	0.3%
	91,772	0	285,159	376,931	91,772	0	285,159	376,931	91,772	0	285,159	376,931	0.3%
Suicide Prevention	50,000	0	0	50,000	200,000	0	0	200,000	200,000	0	0	200,000	0.2%
Service Area Authority	55,000	0	0	55,000	55,000	0	0	55,000	55,000	0	0	55,000	0.0%
Start up Funds - SDMI	0	25,100	0	25,100	0	0	0	0	0	0	0	0	0.0%
Addiction Services													
Community Grants	0	0	2,345,350	2,345,350	0	0	2,791,487	2,791,487	0	0	2,791,437	2,791,437	2.2%
Subtotal Grants**	$6,163,326	$25,100	$3,832,285	$10,020,711	$2,595,892	$0	$3,076,646	$5,672,538	$2,595,892	$0	$3,076,596	$5,672,488	4.5%
% of Total Division Budget	11.0%	0.3%	10.2%	9.7%	3.9%	0.0%	7.1%	4.6%	3.8%	0.0%	6.8%	4.5%	
Benefits/Services													
Medicaid													
Mental Health	$6,003,111	$1,736,538	$18,709,654	$26,449,303	$8,108,757	$1,718,102	$20,400,338	$30,227,197	$9,095,269	$1,956,888	$21,735,213	$32,787,370	26.1%
Community Waiver Srv	0	220,350	514,150	734,500	0	1,710,279	3,550,499	5,260,778	0	1,492,314	3,768,464	5,260,778	4.2%
PACT	1,023,382	0	2,236,836	3,260,218	1,343,551	0	2,789,180	4,132,731	1,362,561	0	2,770,170	4,132,731	3.3%
ICBR	510,402	0	1,115,599	1,626,001	528,613	0	1,097,388	1,626,001	536,093	0	1,089,908	1,626,001	1.3%
Institutional Reim.	0	0	2,324,002	2,324,002	0	0	2,324,002	2,324,002	0	0	2,324,002	2,324,002	1.8%
Chemical Dependency	95	457,419	997,860	1,455,374	95	500,785	1,038,646	1,539,526	95	522,944	1,062,221	1,585,260	1.3%
Other Benefits													
Mental Health Services													
Mental Health Srvs Plan*	674,401	2,768,810	0	3,443,211	5,011,723	3,433,968	1,201,776	9,647,467	4,754,085	3,433,968	1,201,776	9,389,829	7.5%
PACT - MHSP Slots	872,513	0	0	872,513	872,513	0	0	872,513	872,513	0	0	872,513	0.7%
Intensive Services - Goal 18	218,860	0	0	218,860	1,026,480	0	0	1,026,480	1,034,291	0	0	1,034,291	0.8%
Chemical Dependency	1,692,278	0	4,982,790	6,675,068	1,745,995	0	4,982,790	6,728,785	1,820,250	0	4,982,790	6,803,040	5.4%
Adjustments	0	0	(795)	(795)	0	0	(795)	(795)	0	0	(795)	(795)	0.0%
Subtotal Benefits**	$10,995,042	$5,183,117	$30,880,096	$47,058,255	$18,637,727	$7,363,134	$37,383,824	$63,384,685	$19,475,157	$7,406,114	$38,933,749	$65,815,020	52.4%
% of Total Division Budget	19.7%	52.8%	82.2%	45.6%	28.2%	57.6%	86.1%	51.8%	28.7%	57.4%	86.6%	52.4%	

*Mental Health Services Plan budget amounts were reallocated, moving $6.4 million general fund from grants to benefits in anticipation of fully implementing a fee for service reimbursement methodolgy.
**Benefits and grants totals will not tie to the main division table because Goal 189, suicide prevention, and drop-in center services have been consolidated in either grants or services funding. The executive request allocates individual program budgets between services and grants. Additionally, expenditures for the meth treatment group homes have been recorded as benefits expenditures while the executive request records a substantial portion as operating costs.

Institution Budgets

State institution costs are 38 percent of the FY 2011 request, but 27 percent of the general fund.

State institution costs increase due to inflation in operating costs and requests to reinstate overtime, holiday and shift differential pay, which are removed from base budget expenditures. Reinstatement of those payments accounts for $7.4 million over the biennium. Figure 63 shows the base budget for each state institution compared to the budget request.

Montana State Hospital (MSH) is the largest of the institutions, with 406.50 FTE and a FY 2011 budget request of $33.5 million, nearly all funded by general fund. MSH has a design capacity of 135 beds, a licensed capacity of 189 beds, and a physical capacity of 209 beds, which includes 15 group home beds in two units and 20 unlicensed beds in the Old Receiving Hospital. The MSH daily population routinely exceeded 200 during the first eight months of FY 2008 and averaged 204 over the entire year.

Goal 189

In February 2008, DPHHS declared an exigency situation at MSH due to the ongoing high census and implemented Goal 189 to lower the population to 189 or lower. DPHHS used some of the excess general fund (see discussion in the agency overview) in Medicaid appropriations to fund development of community services for persons ready to be discharged from the state hospital. Services provided include: group home, Program for Assertive Community Treatment (PACT), adult foster care, and medications. There are no eligibility criteria to receive Goal 189 services other a person needs to be ready for discharge from MSH or at risk of placement in MSH and has no other payment source available to purchase services.

Initially DPHHS also made per diem payments to Share House in Missoula to provide financial stability and continued operation of the facility. Many of the persons who lived at Share House had received treatment at MSH and may have been readmitted had Share House closed. The executive budget includes $1.8 million general fund over the biennium to continue Goal 189 services.

Figure 63
Base Budget Compared to 2011 Biennium Budget Request
Institutions Administered by AMDD

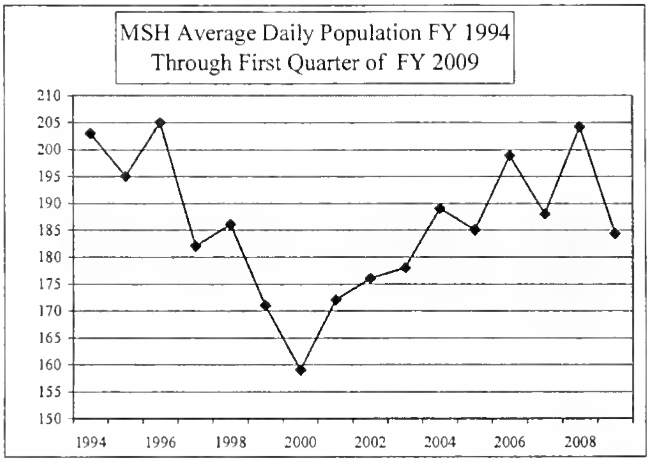
Institution Cost/Funding	Actual FY 2008	Executive Request FY 2010	FY 2011
Montana State Hospital			
FTE	406.4	406.4	406.4
Personal Services*	$22,916,676	$26,530,121	$26,741,115
All Other	6,314,748	6,701,499	6,794,429
Total	$29,231,424	$33,231,620	$33,535,544
General Fund	$28,808,461	$32,809,103	$33,113,035
State Special Rev.	422,963	422,517	422,509
Population	204	178	178
Costs Per Person	$143,291	$186,694	$188,402
Cost Per Day	$393	$511	$516
Annual Increase		14.1%	7.3%
Mental Health Nursing Care Center			
FTE	122.70	122.70	122.70
Personal Services	$4,523,359	$6,115,108	$6,171,127
All Other*	3,169,659	3,385,847	3,499,766
Total	$7,693,018	$9,500,955	$9,670,893
General Fund	$7,693,018	$9,500,955	$9,670,893
Population	83	83	83
Cost Per Person	$92,687	$114,469	$116,517
Cost Per Day	$254	$314	$319
Annual Increase		11.1%	1.8%
Montana Chemical Dependency Center			
FTE	54.25	58.25	58.25
Personal Services	$2,939,989	$3,439,115	$3,462,242
All Other*	1,308,431	1,422,778	1,470,647
Total	$4,248,420	$4,861,893	$4,932,889
State Special Rev.	$3,791,337	$4,404,899	$4,475,894
Federal Funds	457,083	456,994	456,995
Population	56	56	56
Cost Per Person	$75,527	$86,990	$88,261
Cost Per Day	$207	$238	$242
Annual Increase		7.3%	1.5%
Total Division Institution Budget			
FTE	583.35	587.35	587.35
% of Division Total	93.1%	93.1%	93.1%
General Fund	$36,501,479	$42,310,058	$42,783,928
% of Division Total	65.3%	64.0%	63.1%
Total Funds	$41,172,862	$47,594,468	$48,139,326
Annual Increase		7.5%	1.1%

LFD COMMENT Figure 61 includes all costs of Goal 189 costs in the benefit category of expenditure even though the costs are split among grants and benefits in the executive request. Since Goal 189 services will provide payments on behalf of specific individuals, the LFD interpretation of is that the funding supports services and not grants. The LFD will reallocate expenditures accordingly if the Goal 189 expansion is approved by the legislature.

Figure 64 shows the average daily population for MSH through October 2008. Goal 189 services appeared to have an impact on MSH populations, with ADP averaging 176 in the first two months of FY 2009. However, recently the population has begun to creep up, reaching over 200 a few times. The ADP in October 2008 was 190.

The executive budget assumes an ADP of 178 during the 2011 biennium, slightly lower than the ADP anticipated by the 2007 Legislature. The average annual cost per person was about $143,000 in FY 2008 and rises to about $188,000 in FY 2011 – about $516 per day. In order to lower costs at MSH the ADP needs to decline and stabilize at a level closer to 150, so that the hospital can close an entire wing.

Figure 64



LFD COMMENT The legislature may wish to ask AMDD staff how it will manage the rising MSH population and what factors are contributing to the increase. The legislature may wish to ask how services, such as Goal 189, might be structured to help lower admissions, facilitate discharges, and provide stability for persons discharged to community services so that they are not readmitted within a short time period.

Other Institution Budgets

The Mental Health Nursing Care Center (MHNCC) grows from $7.7 million in FY 2008 to $9.7 million in FY 2011. The ADP remains constant at 83, but the average daily cost rises from $92,687 to $116,517 over that time period.

The Montana Chemical Dependency Center (MCDC) average daily population was 56 in FY 2008 compared to the budgeted level of 72. The average daily cost increases from $207 to $242 in FY 2011. Part of the cost increase is related to a request for 4.00 new FTE.

Grant Budget

About 2 percent of the AMDD FY 2011 budget request funds grant programs for mental health and addiction services. The Mental Health Services Plan (MHSP) is funded from the general fund and the federal mental health block grant in FY 2008, but only general fund in the 2011 biennium. Base grant expenditures are higher than the 2011 biennium budget request because MHSP is transitioning from a grant based program to fee for service reimbursement. Since reimbursement will be provided for specific services to specific individuals, most of the general fund is shifted from grants to benefits. Remaining general fund ($475,000) supports recovery based services.

MSHP drug benefits are funded with general fund and health and Medicaid initiative state special revenue funds and are recorded as benefits/services costs.

Over the last several biennia, AMDD has contracted with licensed mental health centers to provide mental health services to persons eligible for MSHP. The contracts provided a fixed payment regardless of the number of eligible persons and the services provided.

The 2007 Legislature appropriated an additional $2.6 million general fund each year of the 2009 biennium to expand access to MHSP services. The legislature also intended that the MHSP program transition from a grant funded to fee for service reimbursement system by FY 2009.

MHSP Moving to Fee for Service

AMDD began expanding the types of providers that can participate in MHSP and provide medication management services. Physicians, psychiatrists, mid-level practitioners, Federally Qualified Health Centers, Rural Health Centers, and laboratories were added during FY 2008. On July 1, 2008 licensed mental health centers were added to the fee for service expansion. A plan of benefits was developed. Extraordinary services are available by prior authorization. AMDD is monitoring utilization carefully to ensure fiscal sustainability through fiscal year.

Costs for the expanded provider network were about $1.4 million in FY 2008, leaving $1.2 million of the additional legislative appropriation for MSHP expansion. The $1.2 million was allocated among mental health centers that contracted to provide services (other than prescriptions) to the MHSP population if service claims existed to support additional payment.

Other Mental Health Grants

72 hour community crisis stabilization, mental health drop-in centers, suicide prevention, and grants to support Service Area Authorities (SAA's) were initiated in FY 2008. 72 hour crisis stabilization services provide funding for up to 72 hours to evaluate and stabilize a person in crisis. AMDD began implementation by contracting for pilot programs and expanded to all providers July 1, 2008.

The 2007 Legislature appropriated funds for expansion of mental health drop-in centers and implementation of a suicide prevention program. The 2011 biennium budget request includes funds to annualize costs for full implementation.

Services for homeless mentally ill persons are funded from a federal categorical grant.

Grants to community addiction services providers and other community groups are funded by general fund and federal block grant funds. These funds are supplemented by two statutory appropriations from the alcohol tax state special revenue that are discussed in the funding section.

Benefits and Services

Programs that fund community based mental health and chemical dependency services for eligible individuals are 52 percent of the FY 2011 budget request. Medicaid mental health services for adults total $46.2 (37 percent of the total division budget) when all Medicaid program components are added together. Mental health Medicaid costs are projected to increase about 7 percent annually.

The adult mental health community services waiver received federal approval in FY 2006 and AMDD began waiver implementation late in FY 2006. The waiver provides Medicaid eligible persons with a severe and disabling mental illness who need either hospital or nursing home level of care enhanced services to support them in the community. The waiver has expanded slowly. Annualization of the AMDD Medicaid community based waiver adds $4.5 million per year.

LFD ISSUE

Caseload Cost Trends and Waiver Budget Request Should be Reviewed

There are two issues discussed in greater detail in the Mental Health Services sub-program budget narrative: Medicaid cost trends used to develop the 2011 biennium may be too high, and implementation of waiver services has progressed slowly.

Legislative Option
The legislature may wish to review and potentially lower cost estimates for both programs if it decides to fund the requests.

Medicaid mental health services include budget requests for the Program for Assertive Community Treatment (PACT) and intensive community based rehabilitation (ICBR). These two services provide stable living and treatment environments for persons who are at high risk of placement in MSH or who transitioned from MSH to the community.

Figure 65
FY 2008
PACT Capacity

Location	Slots
Helena	70
Billings	70
Kalispell	70
Great Falls	70
Missoula	70
Butte	56
Total	406
Number Filled	357
% Utilization	87.9%

There were 314 PACT slots budgeted in FY 2008 and 406 slots actually available in FY 2008. The increase is due to providers initiating PACT programs. There was an average of 357 persons enrolled in PACT services during FY 2008 at an annual average per capita cost of $15,852. Figure 65 shows the number of PACT slots available during FY 2008.

FY 2008 included funding for 31 ICBR slots at an average cost of $82,125 annually. However, an average of 20 slots was used.

Chemical dependency Medicaid services rise slightly from $1.5 million in the base budget to $1.6 million in the FY 2011 budget request.

Goal 189 Budget

Goal 189 services were discussed in conjunction with the state hospital budget. The funding for community services is intended to help lower the MSH census. The services are funded from the general fund and rise from $0.2 million in FY 2008 to $1.0 million in each year of the 2011 biennium. The executive budget request includes the $0.8 million increase in grant expenditures, but Figure 62 shows the increase in benefits since payments will fund services for specific individuals.

Chemical Dependency Services

The executive budget includes $8.9 million for addiction services. Federal block grants provide $5.5 million and general fund is $3.3 million over the 2011 biennium. The general fund supports community group homes for methamphetamine treatment. The 2007 Legislature approved the new programs.

LFD COMMENT

Reallocation of Costs from Operating to Grants

Figure 62 includes the budget for group home services for addiction treatment as grant expenditures. The executive budget includes most of the cost in operating costs as contracted services. However, the budget does not support direct operating costs, but supports funding for community services. If the legislature approves the budget request, the LFD will record the meth treatment home costs as grant expenditures and not costs that support state agency administration.

A 2007 Legislative Initiative May not be Implemented – Behavioral Health Inpatient Facility

The 2007 Legislature approved funding for a variety of new community mental health services. Most were implemented in FY 2008, although start up was slow for some programs due to workload and obstacles such as changes to automated eligibility and payment systems.

One mental health initiative funded by the legislature – a Behavioral Health Inpatient Facility (BHIF) – may not be implemented. A BHIF is a facility with 15 or fewer inpatient beds that can provide intensive mental health services for stays up to 90 days, potentially avoiding an admission to the state hospital. The legislature approved a one time appropriation for $3.0 million general fund and $3.3 million in federal matching funds for FY 2009.

This appropriation was the second attempt to implement BHIF's. The first was the 2005 biennium and was not successful for a variety of reasons, but one of the most significant obstacles was payment for physical health conditions of persons admitted to BHIFs for mental health services. The daily rate for BHIF services was not sufficient to cover physical health services costs as well as mental health services costs.

Goals and Objectives:

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the Legislative Fiscal Division recommends that the legislature review the following:

- o Goals, objectives and year-to-date outcomes from the 2009 biennium
- o Goals and objectives and their correlation to the 2011 biennium budget request

Any issues related to goals and objectives raised by LFD staff are located in the program section.

The AMDD goal is to provide services that sustain and improve the lives of individuals with mental illness and addictive disorders, in appropriate settings.

Objectives and measures adopted to evaluate whether progress is being made to achieve the goal are:

- o Develop and support a community based system of care that is recovery-focused and consumer driven, and includes evidence-based modalities:
    - implement the Illness Management and Recovery treatment model for consumers
    - provide direction and support to providers for delivery of recovery-focused services that results in improved outcomes for employment, housing, and other major life domains
    - continue to increase the number of providers trained in strength-based case management
    - increase the use of peer services
    - provide intensive community service slots for people with high needs, to sustain them in community settings
    - develop funding strategies for services provided to individuals with co-occurring disorders
    - provide training and support to chemical dependency providers for the implementation of a Continuous Quality Improvement (CQI) process within their programs
- o Increase the capacity for community crisis services:
    - further implement 72 Hour Presumptive Eligibility Program
    - increase number of crisis stabilization bed days provided in community settings
    - provide full course Crisis Intervention Team (CIT) training to majority of law enforcement personnel statewide
- o Improve the use of data for service delivery and management of programs:
    - fully implement recovery marker reporting, to include all licensed mental health centers serving adults
    - implement an electronic medical record program at all AMDD facilities
    - fully implement Substance Abuse Management System (SAMS) for all chemical dependency providers

- Collaborate with the Department of Corrections to improve outcomes for offenders with serious mental illnesses and co-occurring substance use disorders:
  - the partnership addresses needs of offenders through shared planning, information, resources and treatment methods
  - consistent, evidence based practices are developed across systems
  - transitions among facilities, programs and into communities are well integrated for offenders with mental illness and chemical dependency
- Provide effective inpatient treatment that enables sustainable recovery in communities:
  - maintain applicable license and certification requirements at all AMDD facilities
  - maintain hospital census at or below licensed capacity
  - continuously implement strategies that help all facilities maintain adequate workforce
- Decrease the incidence of suicide completions across all age groups:
  - continuously add schools that agree to implement SOS programs
  - continuously advertise suicide hotline number
  - aggressively provide risk identification programs to agencies

LFD COMMENT

Goals and Objectives Establish Worthy Outcomes and Demonstrate Cross Agency Cooperation

The goals and objectives developed by AMDD emphasize recovery based and community oriented services. The goals and objectives are consistent with division discussions with the legislature and reflect the legislature's intent when it initiated services and programs through the appropriation process in the 2007 session.

Additionally, AMDD recognizes that access to (and eligibility for) mental health and substance abuse services are key in assisting some offenders on probation or parole to continue to live in community settings within the conditions of their release. Access to services can help prevent recidivism and return to higher, potentially more costly, security correctional settings. This cross agency purpose has been the focus of legislative studies and initiatives over several years, including several bills recommended by the Interim Law and Justice Committee and Interim Committee on Children and Families, which are summarized in the agency overview.

LFD ISSUE

Not Possible to Determine Whether Goals are Being Achieved

While the overarching goal and objectives are very good, the outcome measures lack benchmarks tied to a specific point in time and include no target. Without time bound measures tied to a data indicator, legislators will not be able to tell if division efforts are accomplishing the goal. For instance, some of the objectives state that the division will undertake an action continuously, such as continuously add schools that agree to implement the Signs of Suicide (SOS) program. Does "continuously add" mean a certain number of schools, and if so how many from what point in time?

Another very important objective is to increase the use of peer services. However, without a starting point and measure the legislature (and public) will not be able to tell whether or how much peer services are increasing. If one program is implemented in one location, then the objective has been met. Since there is no time frame, the objective could be met for a number of years by the development of one program.

Legislative Options

The legislature could discuss with AMDD specific time bound measures and articulate a starting period. The legislature could discuss specifics for all objectives or identify objectives that it considered most important and request specific bench marks and measures. Such information would allow the legislature and public to evaluate progress toward the goal and effort expended to achieve the objectives. The information would allow the legislature to have policy focused discussions with AMDD about mental health and chemical dependency services.

The same obstacle remains for development of a BHIF this biennium. In addition, the appropriation is one time and the executive budget does not include funding to continue BHIF services in the 2011 biennium. Another road block was the development of a per diem payment for Medicaid eligible services that would be acceptable to the federal Center for Medicare and Medicaid Services (CMS).

Funding

AMDD is supported by general fund, state special revenue, and federal funds. General fund is 54 percent of the 2011 biennium budget request and rises $14.9 million between biennia, due primarily to institutional changes ($10.0 million), an increase in Goal 189 funding ($1.6 million), and annualization of 72 hour community crisis stabilization services ($1.3 million). General fund also pays state Medicaid match, a portion of the MHSP mental health services, and community crisis stabilization services.

Program Funding Table
Addictive & Mental Disorders

Program Funding		Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000	Total General Fund	$ 55,876,309	54.1%	$ 66,143,850	54.1%	$ 67,779,736	53.9%
	01100 General Fund	55,876,309	54.1%	66,143,850	54.1%	67,779,736	53.9%
02000	Total State Special Funds	9,817,772	9.5%	12,781,914	10.4%	12,912,314	10.3%
	02034 Earmarked Alcohol Funds	4,283,362	4.1%	5,068,884	4.1%	5,162,307	4.1%
	02053 Medicaid Nursing Home Match	1,043,037	1.0%	1,043,037	0.9%	1,043,037	0.8%
	02129 Amdd/Doc Agr 05-021-Ysd	-	-	-	-	-	-
	02179 Mtupp Tobacco Prevention Grant	-	-	-	-	-	-
	02217 Amdd/Doc Shared Position	79,453	0.1%	81,113	0.1%	81,139	0.1%
	02384 02 Indirect Activity Prog 33	79,473	0.1%	67,919	0.1%	68,850	0.1%
	02394 Montana State Hospital Rev Acc	-	-	-	-	-	-
	02691 6901-Msh/Doc Maint Agreement	422,963	0.4%	422,517	0.3%	422,509	0.3%
	02772 Tobacco Hlth & Medicd Initiative	3,874,727	3.8%	6,011,378	4.9%	6,032,199	4.8%
	02987 Tobacco Interest	34,757	0.0%	87,066	0.1%	102,273	0.1%
03000	Total Federal Special Funds	37,556,112	36.4%	43,405,955	35.5%	44,963,696	35.8%
	03082 Spfsig Cfda 93.243	1,896,006	1.8%	2,319,929	1.9%	2,320,063	1.8%
	03171 Data Infrastructure Development	157,878	0.2%	99,274	0.1%	99,312	0.1%
	03505 93.150 - Mntal Hlth - Homeless	285,159	0.3%	285,159	0.2%	285,159	0.2%
	03506 93.279 - Adad - Data Contract	-	-	-	-	-	-
	03507 93.958 - Mntal Hlth - Blk Grt	1,201,776	1.2%	1,201,776	1.0%	1,201,776	1.0%
	03508 93.959 - Adad - Blk Grt 100%	6,960,044	6.7%	6,957,864	5.7%	6,958,293	5.5%
	03580 6901-93.778 - Med Adm 50%	736,895	0.7%	904,640	0.7%	907,756	0.7%
	03583 93.778 - Med Ben Fmap	25,898,101	25.1%	31,200,053	25.5%	32,749,978	26.1%
	03601 03 Indirect Activity Prog 33	420,253	0.4%	437,260	0.4%	441,359	0.4%
	03684 6901-Data Infrastructure93-230	-	-	-	-	-	-
Grand	Total	$ 103,250,193	100.0%	$ 122,331,719	100.0%	$ 125,655,746	100.0%

State special revenue is used for state Medicaid matching funds, MHSP prescription drug services, and chemical dependency programs. The largest state special revenue source is the health and Medicaid initiatives account. It increases $2.1 million between biennia, largely due to annualization of the Medicaid community services waiver, which adds $1.4 million. Alcohol tax is the second most significant source of state special revenue. It supports MCDC, grants to local programs, and two statutory appropriations to counties. Figure 66 shows the revenues and expenditures from the alcohol tax.

Figure 66

Earmarked Alcohol Tax Revenue and Expenditures

FY 2008 Actual Through 2011 Biennium Budget Request

Revenue/Expenditures Fund Balance	Actual FY 2008	Budgeted FY 2009	Executive Request FY 2010	Executive Request FY 2011	% of Total
Beginning Balance	$417,243	$864,452	$121,080	$106,965	
Revenues*					
Liquor License	$5,122,428	$5,435,000	$5,736,000	$6,128,000	74.6%
Beer Tax	965,469	976,000	996,000	1,015,000	12.4%
Wine Tax	836,544	889,000	936,000	982,000	11.9%
DPHHS Cost Recovery	69,761	109,645	69,761	69,761	0.8%
Other Receipts**	23,160	10,810	23,160	23,160	0.3%
Total Revenue	$7,017,362	$7,420,455	$7,760,921	$8,217,921	100.0%
Annual Percent Change	8.3%	5.7%	4.6%	5.9%	
Total Funds Available	$7,434,605	$8,284,907	$7,882,001	$8,324,886	
Disbursements					
Chemical Dependency Cntr (MCDC)	$3,791,337	$3,738,680	$4,404,899	$4,475,894	56.6%
Distribution to Counties***	1,384,888	2,231,531	1,534,225	1,625,000	20.5%
Services for Dually Diagnosed***	374,157	481,800	506,088	443,329	5.6%
CD Medicaid Services/Admin.	262,794	388,389	306,160	328,319	4.2%
Justice - Crime Lab DUI Tests	303,204	303,204	302,738	302,650	3.8%
CD Operations	220,621	313,355	349,215	349,484	4.4%
Cost Allocated Admin.	235,156	258,672	269,474	280,728	3.6%
Pay Plan and Retirement	0	281,698	0	0	0.0%
Montana State Hospital	0	75,000	0	0	0.0%
Quality Assurance-Licensure	66,496	65,303	68,104	68,202	0.9%
Department of Corrections-Pine Hills	25,523	25,523	25,523	25,523	0.3%
CD Benefits - nonMedicaid	8,610	672	8,610	8,610	0.1%
Total Disbursements	$6,672,786	$8,163,826	$7,775,037	$7,907,739	100.0%
Adjustments****	$102,633	$0	$0	$0	
Ending Fund Balance	$864,452	$121,080	$106,965	$417,146	

*Revenue estimates are those adopted by the Revenue Oversight and Transportation Committee, except DPHHS cost recovery, which uses DPHHS estimates. FY 2009 budgeted amounts are based on 2007 legislative appropriations, except indirect costs, which are based on LFD estimates.

**Other receipts include lab testing and phone/vending machine income.

***26.6 percent of alcohol tax revenues collected by the Department of Revenue are statutorially appropriated for distribution as grants to state approved public or private alcoholism programs. A portion (6.6 percent of total revenue) is appropriated to treat persons with alcoholism who also have a mental illness. Any fund balance remaining at fiscal year end, is statutorially appropriated to be distributed to state approved programs.

****Generally accepted accounting principles (GAAP) require certain entries to be made. The adjustments include those entries, with the most significant being capitalization of a lease for $28,068.

The majority of revenue is from a portion of the liquor license tax, with smaller amounts from wine and beer taxes allocated to DPHHS. There are two statutory appropriations from these revenues: 20.0 percent to be distributed as grants to state approved public and private alcoholism programs and 6.6 percent to be distributed to state approved programs for the treatment of persons with alcoholism and mental illness. In addition, balances remaining in the account at fiscal year end are statutorily appropriated for distribution to state approved programs the following year. The two remaining revenues – DPHHS cost recovery and other receipts – are not subject to the statutory appropriation.

The largest share of alcohol tax supports MCDC (57 percent), followed by the two statutory appropriations (26 percent). A small amount of the tax pays the state match for chemical dependency Medicaid services and funds some nonMedicaid services (5 percent for both). The remainder of the FY 2011 budget request (13 percent) funds program administration in AMDD, the Quality Assurance Division, and for crime lab tests run by the Department of Justice. In addition, indirect administrative costs for DPHHS are allocated to the fund.

LFD ISSUE

Excess Alcohol State Special Revenue

At the end of FY 2011, there is about $418,000 of alcohol state special revenue remaining – all from the carry forward of DPHHS cost recovery and other receipts. However, the executive pay plan recommendation was not available so there is no pay plan allocation to the fund. Depending on legislative actions with regard to pay plan and appropriation changes requested from the alcohol tax, there may be excess alcohol tax available to appropriate.

Legislative Option
The legislature could consider appropriating alcohol tax in place of general fund. The legislature could offset general fund used to support other chemical dependency programs, including a portion of the cost for meth treatment group homes. The legislature could also use the funds as Medicaid match in place of tobacco settlement trust interest income appropriated for Medicaid chemical dependency services. The freed up trust income could be used to offset general fund requested in Medicaid service expansions and provider rate increases throughout the department.

Other state special revenue accounts and the AMDD functions supported are:

- Medicaid nursing home match includes funds transferred by counties that are used as state match for Medicaid mental health services
- Payments from the Department of Corrections for custodial services for the Dr. Xanthopolous building on the MSH campus that houses the WaTCH program (alcoholism treatment program for offenders)
- Tobacco settlement trust interest income that is used as state match for Medicaid benefits

Federal funds support about 36 percent of the 2011 biennium request. Federal Medicaid matching funds make up the largest share of federal funding (27 percent of the total 2011 biennium budget). The federal block grant for prevention and treatment of chemical dependency (Adad Block Grant) is 6 percent of the 2011 biennium request. Other small federal funding sources are:

- The strategic framework prevention grant (Spfsig) for prevention of binge drinking
- The federal mental health block grant
- The federal mental health grant for the homeless

Statutory Appropriations

The following table shows the total statutory appropriations associated with this agency. Because statutory appropriations do not require reauthorization each biennium, they do not appear in HB 2 and are not routinely examined by the legislature. The table is provided so that the legislature can get a more complete picture of agency operations and associated policy.

Statutory Appropriations
Addictive and Mental Disorders Divison

Purpose	MCA #	Fund Source	Fiscal 2008	Fiscal 2010	Fiscal 2011
Grants to State Approved Addition Programs					
Alcohol taxes allocated to DPHHS					
20% of proceeds to grants to state approved community addiction programs	53-24-108	SSR	$1,384,888	$1,534,225	$1,625,000
6.6% of proceeds to state approved community addiction programs that serve persons with alcoholism and a mental illness	53-24-108	SSR	374,157	506,088	443,329
Debt Service					
Debt service for bonds for state hospital	17-7-502	SSR	1,796,631	3,559,516	3,559,274

As appropriate, LFD staff has segregated the statutory appropriations into two general categories: 1) those where the agency primarily acts in an administrative capacity and the appropriations consequently do not relate directly to agency operations; and 2) those that have a more direct bearing on the mission and operations of the agency.

There are three statutory appropriations related to AMDD services. Two of the appropriations are from the alcohol tax state special revenue allocated to DPHHS. The appropriations fund grants to state approved alcoholism programs. These appropriations are discussed in more detail in the funding section.

The third statutory appropriation is for debt service for the bonds that funded construction of the new state hospital. The state special revenue account includes deposits from facility revenues (Medicare, private insurance, Indian Health Insurance, Medicaid, and private payments). Revenues in excess of the debt service are deposited to the general fund.

Budget Summary by Category

The following table shows the 2011 biennium budget by major component. Base budget expenditures are 83 percent of the total ($206.5 million). Statewide present law adjustments are $5.1 million and supported almost entirely by the general fund, due mostly to adjustments to personal services costs at the state institutions.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	55,876,309	55,876,309	111,752,618	83.45%	103,250,193	103,250,193	206,500,386	83.27%
Statewide PL Adjustments	2,189,495	2,358,334	4,547,829	3.40%	2,443,062	2,632,028	5,075,090	2.05%
Other PL Adjustments	6,642,771	7,862,034	14,504,805	10.83%	14,718,076	17,383,350	32,101,426	12.94%
New Proposals	1,435,275	1,683,059	3,118,334	2.33%	1,920,388	2,390,175	4,310,563	1.74%
Total Budget	**$66,143,850**	**$67,779,736**	**$133,923,586**		**$122,331,719**	**$125,655,746**	**$247,987,465**	

Present law adjustments add $32.1 million, including $15.5 million general fund. Major components of the increase are:

- o Medicaid utilization and eligibility increases - $9.2 million total funds ($2.0 million general fund)
- o Annualization of the AMDD Medicaid waiver - $9.1 million total funds ($3.0 million in health and Medicaid initiative state special revenue
- o Adjustments to add overtime, shift differential, and holiday pay for the state institutions - $7.0 million general fund
- o Annualization of the cost of other community services initiatives funded by the 2007 Legislature - $3.5 million general fund
- o Institution cost increases for medical services, food, and utilities add another $1.0 million fund general fund

New proposals add $4.3 million total funds, including $3.1 million general fund:

- o $1.6 million general fund to continue Goal 189 services initiated by the department to help lower the MSH population
- o $1.4 million total ($0.7 million general fund) for a 0.75 annual provider rate increase
- o $1.3 million for several institutional changes, including 4.00 new FTE for MCDC

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010 FTE	Fiscal 2010 General Fund	Fiscal 2010 State Special	Fiscal 2010 Federal Special	Fiscal 2010 Total Funds	Fiscal 2011 FTE	Fiscal 2011 General Fund	Fiscal 2011 State Special	Fiscal 2011 Federal Special	Fiscal 2011 Total Funds
Personal Services					3,789,420					3,974,254
Vacancy Savings					(1,454,842)					(1,462,226)
Inflation/Deflation					132,602					154,114
Fixed Costs					(24,118)					(34,114)
Total Statewide Present Law Adjustments					**$2,443,062**					**$2,632,028**
DP 33101 - AMDD Operations Present Law Adjustments	0.00	11,438	1,758	7,394	20,590	0.00	13,227	2,033	8,551	23,811
DP 33102 - AMDD Rent Increase	0.00	8,108	1,246	5,241	14,595	0.00	11,990	1,843	7,750	21,583
DP 33201 - Medicaid FMAP - Chemical Dependency	0.00	0	16,008	(16,008)	0	0.00	0	22,702	(22,702)	0
DP 33202 - CD Medicaid Caseload Adjustment	0.00	0	23,642	49,081	72,723	0.00	0	35,110	71,381	106,491
DP 33203 - Annualize Meth & CD Regional Services Expansion	0.00	119,212	0	0	119,212	0.00	119,017	0	0	119,017
DP 33206 - Strategic Prevention Framework Incentive Grant	0.00	0	0	446,137	446,137	0.00	0	0	446,087	446,087
DP 33301 - MCDC Restore OT/Holidays Worked/Aggregates	0.00	0	243,190	0	243,190	0.00	0	250,486	0	250,486
DP 33302 - MCDC Present Law Adjustments	0.00	0	100,503	0	100,503	0.00	0	153,099	0	153,099
DP 33306 - MHSP Pharmacy Benefit - Biennial	0.00	0	665,158	0	665,158	0.00	0	665,158	0	665,158
DP 33401 - Medicaid FMAP - Mental Health	0.00	343,319	0	(343,319)	0	0.00	494,855	0	(494,855)	0
DP 33402 - Medicaid Caseload Adjustment - Mental Health	0.00	1,129,701	0	2,345,232	3,474,933	0.00	1,883,580	0	3,829,433	5,713,013
DP 33404 - Annualize Mental Health Drop-In Centers	0.00	104,991	0	0	104,991	0.00	104,991	0	0	104,991
DP 33405 - Annualize Suicide Prevention Program	0.00	24,687	0	0	24,687	0.00	24,665	0	0	24,665
DP 33407 - Annualize 72 Hr Community Crisis Stabilization	0.00	1,429,173	0	0	1,429,173	0.00	1,429,173	0	0	1,429,173
DP 33410 - Mental Health Community Services Development	0.00	0	3,764	0	3,764	0.00	0	18,962	0	18,962
DP 33414 - Annualize Home & Community Based Services Waiver	0.00	0	1,471,493	3,054,785	4,526,278	0.00	0	1,492,314	3,033,964	4,526,278
DP 33501 - MSH Restore OT/Holiday Worked /Aggregates	0.00	2,914,789	0	0	2,914,789	0.00	3,002,233	0	0	3,002,233
DP 33502 - MSH Present Law Adjustments	0.00	531,713	0	0	531,713	0.00	619,767	0	0	619,767
DP 33503 - Reduce MSH Base Budget	0.00	(618,310)	0	0	(618,310)	0.00	(618,310)	0	0	(618,310)
DP 33601 - MMHNCC Restore OT/Holiday Worked/Aggregates	0.00	451,474	0	0	451,474	0.00	474,367	0	0	474,367
DP 33602 - MMHNCC Present Law Adjustments	0.00	192,476	0	0	192,476	0.00	302,479	0	0	302,479
Total Other Present Law Adjustments	**0.00**	**$6,642,771**	**$2,526,762**	**$5,548,543**	**$14,718,076**	**0.00**	**$7,862,034**	**$2,641,707**	**$6,879,609**	**$17,383,350**
Grand Total All Present Law Adjustments					**$17,161,138**					**$20,015,378**

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- **Market Rate** – Overall division employees are paid at 91 percent of the market rate, which is 9 percent below

the agency target. MSH does not have a plan to progress to market because of inadequate funding. There is concern that occupational pay ranges of the market analysis are inaccurate and do not reflect the current market for professionals.

- **Vacancy** – AMDD experiences high turnover in state institutions and in mental health professional positions due to outside market conditions for direct care professional licensed staff in an acute care setting. High and sustained vacancies cause other staff to work overtime. Institutions use contract staff to provide adequate staff coverage. Psychiatric and nursing positions are particularly difficult to recruit and retain.
- **Legislatively Applied Vacancy Savings** – Vacancy savings was met due to normal turnover and to some degree unanticipated vacancies in positions that were difficult to recruit.
- **Pay Changes** – State institutions managed by AMDD have implemented pay exceptions for certain positions because of recruitment and retention difficulties. At MSH, registered nurse, licensed practical nurse, psychologist, substance abuse counselor, occupational therapist, and dietician positions have standing pay exceptions as result of inability to recruit at previously established pay rates under pay plan 60. Due to recruitment problems, MMHNCC hires the following positions at 83 percent of market (as negotiated with Montana Public Employees Association): certified nurse aide, food service worker, cook, custodian, laundry worker, maintenance worker, social service aide, purchasing agent, medical secretary, administrative clerk, and accounting technician. At MCDC, short term workers for all positions are given a 25 percent increase above entry as they do not receive any benefits and it is necessary to attract short term workers for relief positions. Also the licensed addictions counselors' union contract calls for salaries above entry as the small pool of professionals in this occupation creates recruitment and retention problems. AMDD Mental Health Bureau also recruits within ranges from entry (80 percent) to market for licensed mental health professionals - with poor results.
- **Retirements** – 49 employees retired during the 2009 biennium. 271 employees (40 percent of the total program workforce) will be eligible for retirement in the 2011 biennium. Based on current trends and projections the division estimates that 54 employees will retire with an anticipated compensated absence liability of $439,992. taking steps for knowledge sharing and cross training.

New Proposals

New Proposals										
	Fiscal 2010					Fiscal 2011				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 33408 - Annualize Intensive Community Services (Goal 189)										
33	0.00	800,000	0	0	800,000	0.00	800,000	0	0	800,000
DP 33701 - Provider Rate Increase - AMDD										
33	0.00	235,275	3,716	212,181	451,172	0.00	483,059	7,713	434,656	925,428
DP 33702 - MCDC Modified Positions										
33	1.00	0	115,534	0	115,534	1.00	0	116,019	0	116,019
DP 33707 - MCDC Staff Positions										
33	3.00	0	153,682	0	153,682	3.00	0	148,728	0	148,728
DP 33775 - Restore Operating Base Budget Reduction @ MSH										
33	0.00	400,000	0	0	400,000	0.00	400,000	0	0	400,000
Total	**4.00**	**$1,435,275**	**$272,932**	**$212,181**	**$1,920,388**	**4.00**	**$1,683,059**	**$272,460**	**$434,656**	**$2,390,175**

Sub-Program Details

MENTAL HEALTH 01

Sub-Program Proposed Budget

The following table summarizes the proposed executive budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011	Total Exec. Budget Fiscal 10-11
FTE	547.60	0.00	0.00	547.60	0.00	0.00	547.60	547.60
Personal Services	28,082,699	5,604,918	0	33,687,617	5,874,785	0	33,957,484	67,645,101
Operating Expenses	10,325,320	187,401	400,000	10,912,721	411,016	400,000	11,136,336	22,049,057
Equipment & Intangible Assets	227,741	0	0	227,741	0	0	227,741	455,482
Grants	7,602,028	254,991	804,482	8,661,501	254,991	809,077	8,666,096	17,327,597
Benefits & Claims	38,961,941	9,995,542	372,064	49,329,547	12,233,622	764,984	51,960,547	101,290,094
Debt Service	27,398	0	0	27,398	0	0	27,398	54,796
Total Costs	**$85,227,127**	**$16,042,852**	**$1,576,546**	**$102,846,525**	**$18,774,414**	**$1,974,061**	**$105,975,602**	**$208,822,127**
General Fund	52,980,512	8,636,980	1,372,078	62,989,570	10,018,531	1,555,087	64,554,130	127,543,700
State/Other Special	5,180,859	2,188,514	0	7,369,373	2,224,534	0	7,405,393	14,774,766
Federal Special	27,065,756	5,217,358	204,468	32,487,582	6,531,349	418,974	34,016,079	66,503,661
Total Funds	**$85,227,127**	**$16,042,852**	**$1,576,546**	**$102,846,525**	**$18,774,414**	**$1,974,061**	**$105,975,602**	**$208,822,127**

Sub-Program Description

The Mental Health Sub-Program budget request grows $38.4 million compared to base budget expenditures, with $21.6 million of the increase supported by general fund. The most significant biennial general fund increases are:

- o Total adjustments for MSH - $7.0 million to reinstate overtime costs and fund inflationary increases in food and medical costs
- o Statewide present law adjustments - $4.1 million, with the largest change in personal services for the two state mental health institutions
- o Annualization of implementation of several mental health community service expansions - $3.1 million ($12.2 million total funds)
- o New proposals for a provider rate increase and expansion of a FY 2008 initiative to fund community services for persons leaving MSH - $2.7 million general fund

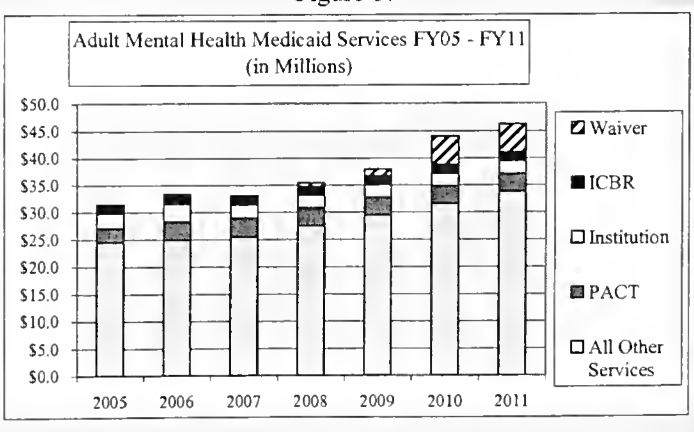
LFD ISSUE

Mental Health Medicaid Cost Estimates may be too High

The executive budget request for Medicaid mental health benefits increases at an annual rate of about 6 percent from base budget expenditures. Figure 67 shows Medicaid funded adult mental health benefits. Certain benefits are not entitlements so the level is a fixed amount in the budget. The two that are static are:

- o The home and community based waiver - $5.3 million annually
- o Intensive Community Based Rehabilitation (ICBR) - $1.6 annually

Figure 67



Federal reimbursement for Medicaid eligible costs at the state institutions is 100 percent federally funded and varies according to the number of days of care for eligible persons. It is treated as a fixed benefit because it is fully federally funded.

LFD ISSUE (CONT.) The balance of Medicaid services - $30.6 million in FY 2010 and $32.9 million in FY 2011, increase due to eligibility and utilization changes as well as new technology and inflation in some costs. These cost trended services have risen about 2 percent a year from FY 2005 to FY 2007 and then about 5 percent from FY 2007 to FY 2008. The executive request uses a 7 percent annual growth rate from FY 2008 through FY 2011. If cost growth remained at about 5 percent the Medicaid budget could be reduced by $0.5 million general fund in the 2011 biennium.

The amount needed to fund the AMDD waiver may also be overstated. That issue is discussed in relationship to the present law adjustment to annualize the cost of the waiver.

Legislative Option
Medicaid cost estimates for FY 2008 through FY 2011 will be updated in mid February 2009. If FY 2008 and FY 2009 cost trends appear to be lower than 7 percent, the legislature could consider lowering Medicaid costs for the 2011 biennium.

Budget Summary By Category
The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	52,980,512	52,980,512	105,961,024	83.08%	85,227,127	85,227,127	170,454,254	81.63%
Statewide PL Adjustments	2,132,967	2,300,731	4,433,698	3.48%	2,341,726	2,511,638	4,853,364	2.32%
Other PL Adjustments	6,504,013	7,717,800	14,221,813	11.15%	13,701,126	16,262,776	29,963,902	14.35%
New Proposals	1,372,078	1,555,087	2,927,165	2.30%	1,576,546	1,974,061	3,550,607	1.70%
Total Budget	**$62,989,570**	**$64,554,130**	**$127,543,700**		**$102,846,525**	**$105,975,602**	**$208,822,127**	

Present Law Adjustments
The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments

	Fiscal 2010 FTE	Fiscal 2010 General Fund	Fiscal 2010 State Special	Fiscal 2010 Federal Special	Fiscal 2010 Total Funds	Fiscal 2011 FTE	Fiscal 2011 General Fund	Fiscal 2011 State Special	Fiscal 2011 Federal Special	Fiscal 2011 Total Funds
Personal Services					3,502,030					3,668,197
Vacancy Savings					(1,263,375)					(1,270,012)
Inflation/Deflation					127,854					148,188
Fixed Costs					(24,783)					(34,735)
Total Statewide Present Law Adjustments					**$2,341,726**					**$2,511,638**
DP 33306 - MHSP Pharmacy Benefit - Biennial	0.00	0	665,158	0	665,158	0.00	0	665,158	0	665,158
DP 33401 - Medicaid FMAP - Mental Health	0.00	343,319	0	(343,319)	0	0.00	494,855	0	(494,855)	0
DP 33402 - Medicaid Caseload Adjustment - Mental Health	0.00	1,129,701	0	2,345,232	3,474,933	0.00	1,883,580	0	3,829,433	5,713,013
DP 33404 - Annualize Mental Health Drop-In Centers	0.00	104,991	0	0	104,991	0.00	104,991	0	0	104,991
DP 33405 - Annualize Suicide Prevention Program	0.00	24,687	0	0	24,687	0.00	24,665	0	0	24,665
DP 33407 - Annualize 72 Hr Community Crisis Stabilization	0.00	1,429,173	0	0	1,429,173	0.00	1,429,173	0	0	1,429,173
DP 33410 - Mental Health Community Services Development	0.00	0	3,764	0	3,764	0.00	0	18,962	0	18,962
DP 33414 - Annualize Home & Community Based Services Waiver	0.00	0	1,471,493	3,054,785	4,526,278	0.00	0	1,492,314	3,033,964	4,526,278
DP 33501 - MSH Restore OT/Holiday Worked /Aggregates	0.00	2,914,789	0	0	2,914,789	0.00	3,002,233	0	0	3,002,233
DP 33502 - MSH Present Law Adjustments	0.00	531,713	0	0	531,713	0.00	619,767	0	0	619,767
DP 33503 - Reduce MSH Base Budget	0.00	(618,310)	0	0	(618,310)	0.00	(618,310)	0	0	(618,310)
DP 33601 - MMHNCC Restore OT/Holiday Worked/Aggregates	0.00	451,474	0	0	451,474	0.00	474,367	0	0	474,367
DP 33602 - MMHNCC Present Law Adjustments	0.00	192,476	0	0	192,476	0.00	302,479	0	0	302,479
Total Other Present Law Adjustments	**0.00**	**$6,504,013**	**$2,140,415**	**$5,056,698**	**$13,701,126**	**0.00**	**$7,717,800**	**$2,176,434**	**$6,368,542**	**$16,262,776**
Grand Total All Present Law Adjustments					**$16,042,852**					**$18,774,414**

DP 33306 - MHSP Pharmacy Benefit - Biennial - This request reflects caseload growth ($562,726 over the biennium) as well as increased costs for drugs in the Mental Health Services Plan (MHSP) pharmacy program. The budget request is for $1,330,316 over the biennium in state special revenue. This appropriation is requested to be biennial.

LFD ISSUE

Potential Illegal Use of Funds

The MHSP pharmacy benefit is funded from health and Medicaid initiatives state special revenue, established by citizen initiative that raised tobacco taxes and allocated the proceeds. The statutory uses of the funds are to:

- Maximize enrollment of eligible children in CHIP
- Develop a new need-based prescription drug program for children, seniors, chronically ill, and disabled persons
- Increase Medicaid services and provider rates
- Offset the loss of general fund revenue as a result of new tax credits
- Assist eligible small employers with the costs of providing health insurance benefits to eligible employees
- Pay premium incentive payments or premium assistance payments if the Health Insurance Flexibility and Accountability (HIFA) waiver is approved

LFD ISSUE (CONT.)

The 2005 Legislature first appropriated health and Medicaid initiative funds to support MHSP because the funds were going to be used to pay the state match for a HIFA waiver to expand Medicaid eligibility to various groups. (Health and Medicaid initiative state special revenue has been budgeted to support MHSP for the last four years in the belief that the HIFA waiver was going to be approved.) However, the federal Centers for Medicare and Medicaid Services (CMS) has disapproved expansion of benefits to certain groups and has not approved the remainder of the waiver.

The legislature may wish to remove the health and Medicaid initiatives revenue from the MHSP program to comply with statute.

Legislative Options and Discussion

1. The legislature could reduce MHSP expenditures by the total amount of the state special revenue appropriation.

Obviously, if the legislature were to substantially reduce the MHSP appropriation, it would reduce community mental health services, and potentially the funds for prescription drugs, that are available to low income persons with a serious and disabling mental illness. It would be difficult to quantify and therefore compare the benefits and costs of this option. The amount of an MHSP cost reduction is known. However, potential increased costs to state and local governments would be very difficult to measure. The potential costs to state and local governments of reducing community mental health services that would be higher are:

- o Inpatient hospitalization costs, including the Montana state hospital,
- o Crisis stabilization services costs
- o County attorney costs if a person decompensated and was committed to the state hospital by the county
- o County law enforcement costs if officers were the first responders to a mental health emergency or if officers transported persons to the state hospital

2. The legislature could reallocate the health and Medicaid initiatives to another statutory use supported by the general fund and use the freed up general fund for MHSP.

This option would minimize reductions in the MHSP program. For instance, the CHIP program includes $2.6 million of general fund that could be offset by health and Medicaid initiatives and tobacco settlement state special revenue. The legislature could also use the health and Medicaid initiatives to support its own initiatives, such as:

- o Medicaid eligibility, service, or rate changes
- o A new low income prescription drug program
- o Expansion of the small employer insurance programs administered by the State Auditor's Office
- o A general fund offset of some executive budget proposals if approved by the legislature, including provider rate increases and Medicaid service expansions

3. The legislature could amend 53-6-1012(2) to include MHSP in the allowable uses of the health and Medicaid initiatives account.

This option conflicts with purpose of the citizen initiative, which was to expand health care programs and not to replace or supplant existing state expenditures in health programs

<u>DP 33401 - Medicaid FMAP - Mental Health -</u> This request adds $838,174 general fund over the biennium with a reduction in federal funds of the same amount due to an increase in the state Medicaid match rate.

<u>DP 33402 - Medicaid Caseload Adjustment - Mental Health -</u> This request adds $3,474,933 in FY 2010 including $1,129,701 general fund and $5,713,013 in FY 2011 including $1883,580 general fund for Medicaid caseload and utilization growth in existing mental health services. Base level expenditures were $35.3 million.

LFD COMMENT

Issue of Caseload Adjustment

The issue of the mental health Medicaid caseload adjustment was discussed in the sub-program overview.

DP 33404 - Annualize Mental Health Drop-In Centers - The executive budget includes $104,991 general fund each year of the biennium to support five community mental health drop-in centers and to assist with start up for additional programs. AMDD contracts with five selected providers: Eastern Montana Community Mental Health Center, Western Montana Mental Health Center in Gallatin County, Montana Mental Health Association, South Central Montana Regional Mental Health Center, and Western Montana Mental Health Center in Livingston. The 2007 Legislature provided funds to expand drop-in centers.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: Drop-in centers provide a safe place for consumers to socialize, have interactions with staff who can identify needs, offer supportive services, and provide for early identification and support for a consumer whose illness may be becoming more acute. Drop-in centers provide an opportunity for peer support services and access to other needed mental health or community services.

Goals:

- Provide accessible resources for early identification, monitoring, and support of individuals with severe mental illnesses
- Provide A safe environment for socialization for individuals with severe mental illnesses
- Provide outreach, referral, and diversion for individuals with severe mental illnesses

Performance Criteria and Milestones:

- Quarterly reporting by contracted providers on number served, hours of operation, services provided, recovery activities

FTE: There are no FTE associated directly with this service. The AMDD Mental Health Services Bureau is responsible for providing program direction and analysis.

Funding: This request for $104,991 general fund annualizes start up costs. FY 2008 expenditures were $266,565 compared to a general fund appropriation of $371,647.

Challenges to Implementation: Implementation of the program was delayed in FY 2008 due to other competing new program start-ups. All new programs are operational in FY 2009.

Risks of Not Adopting Proposal: Without the requested funding, communities lack the ability to fund these evidence-based services. These services provide an excellent opportunity to identify individuals needing more acute mental health services. Without these services in place, some consumers would need more intense levels of care because of lack of early identification.

LFD ISSUE Outcomes are not Measurable

The measures proposed for this funding request do not provide any data with which the legislature may evaluate the service. The executive budget narrative identifies drop-in centers as an evidence based service, so it seems reasonable to assume that there are outcomes that could be measured.

Legislative Option
The legislature may wiSh to ask AMDD to provide quantifiable measures to evaluate the outcomes of funding mental health drop in centers. The legislature could include these measures in the appropriation if it approves the executive request.

DP 33405 - Annualize Suicide Prevention Program - This present law adjustment requests $24,687 general fund for FY 2010 and $24,665 in FY 2011 for contracted services provided by the two call center operations in Great Falls and in Bozeman that manage the suicide hotline.

DP 33407 - Annualize 72 Hr Community Crisis Stabilization - This present law adjustment adds $1,429,173 general fund each year of the biennium to annualize community crisis stabilization services. The program was started March 1, 2008 as a pilot in five sites – Bozeman, Billings, Butte, Hamilton, Helena, Miles City, and Missoula.

Starting August 2008, the program was open to any other willing provider. Training has been provided to hospitals in Great Falls, Kalispell, and Glendive

As of August 2008, Figure 68 shows the estimated number of episodes of care and the estimated cost of care. Mental health centers, including the Billings Crisis Center, are providing most of the crisis stabilization care – about 63 percent. The number of emergency assessments is higher than the unduplicated episodes of care because some individuals were assessed, provided intervention, and diverted to other treatment if necessary.

Figure 68
Episodes of Emergency Care by Provider Type and Month from March 2008 Through September 2008

MENTAL HEALTH CENTERS & BILLINGS CRISIS CENTER

	Episodes	Crisis Management Hour Costs			Estimated
Month	of Care	Hrs 1-24	Hrs 25-48	Hrs 49-72	Cost
March	45	$7,535	$2,845	$1,756	$12,136
April	65	18,070	8,003	4,269	30,342
May	49	15,003	7,742	3,225	25,970
June	35	10,202	4,939	2,225	17,366
FY 2008	194	$50,810	$23,528	$11,475	$85,814
Percent of Total		59.2%	27.4%	13.4%	100.0%
July	76	$38,374	$21,382	$11,681	$71,437
August	54	21,521	10,649	6,081	38,251
September	43	15,036	8,034	3,819	26,889
FY 2009 to Date	173	$74,932	$40,065	$21,581	$136,578
Percent of Total		54.9%	29.3%	15.8%	100.0%

HOSPITALS

Month	Episodes	Crisis Management Hours			Estimated
	of Care	Hrs 1-24	Hrs 25-48	Hrs 49-72	Cost
March	28	$15,325	$7,588	$4,198	$27,111
April	44	25,850	12,163	7,347	45,360
May	42	23,350	11,013	6,064	40,427
June	28	16,400	7,888	3,882	28,169
FY 2008	142	$80,925	$38,650	$21,491	$141,066
Percent of Total		57.4%	27.4%	15.2%	100%
July	30	$17,600	$8,363	$4,631	$30,594
August	22	12,800	5,363	2,282	20,445
September	22	13,150	6,063	3,340	22,553
FY 2009 to Date	74	$43,551	$19,788	$10,254	$73,592
Percent of Total		59.2%	26.9%	13.9%	100%

*Assessments cost $90 - $200 depending on the type of mental health professional performing the assessment.
Source: Addictive and Mental Disorders Division, DPHHS, October 6, 2008.

LFD COMMENT

A second component of community crisis stabilization services considered by the 2007 Legislature was development of tele-video psychiatry services available 24/7 to provide real time expertise and support to community providers caring for an individual in crisis. DPHHS issued a request for information to determine whether there was the capability to and interest in providing the service. There were several responders, but none could provide the scope of coverage requested.

AMDD then attempted to hire additional psychiatrists at MSH to be able to provide tele-video psychiatry services from the hospital. However, the recruitment has not been successful.

The alternative plan is to provide telephonic psychiatric assistance through MSH medical staff (or other interested providers) until it is determined sufficient resources exist to provide a tele-video psychiatric consultation component. It is estimated the telephonic psychiatric assistance portion of the program will cost about $100,000 per year.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: Community crisis stabilization is a new service in the 2009 biennium and is designed to provide new community-based services to address voluntary psychiatric emergencies for uninsured individuals. The array of services also includes funds for psychiatric assessment, psychotherapy by mental health practitioners, and professional services provided by physicians and psychiatrists. This new service creates a period of eligibility for up to 72 hours of crisis stabilization services in the community, including outpatient hospital.

Goals:

- Provide 72-hour presumptive eligibility and payment for crisis stabilization services in community settings.
- Enhance use of telemedicine services to increase the availability of mental health professionals across Montana.

Performance Criteria and Milestones:

- By June 30, 2009 implement the program statewide.
- By June 30, 2009 reduce the number of emergency and court-ordered detention admissions to MSH based on FY 2007 admission information.
- By January 2009 have telephonic psychiatric consultation services available to all Montana crisis providers.

FTE: Three FTE were funded by the 2007 Legislature to manage this program and the expansion of MHSP.

Funding: This request adds the difference ($1,429,173) between FY 2008 expenditures of $432,072 and the general fund appropriation of $1,861,245 for each year of the 2011 biennium.

Challenges to Implementation: The primary challenges to implementation of the program in FY 2008 have been the development of information technology resources for eligibility and reimbursement that are compatible with systems already in place for the department and the difficulty in contracting for or recruiting psychiatrists at MSH. Staff resources were strained due to the simultaneous implementation of several other significant new initiatives.

Risks of Not Adopting Proposal: Without the requested funding, the ability of communities to provide voluntary psychiatric crisis response will be lacking which, in turn, will place additional pressure on the state hospital.

LFD COMMENT

The legislature may wish to review preliminary data from the pilot programs.

LFD ISSUE

Tracking Implementation

The legislature may wish to request that the Legislative Finance Committee track full implementation of this proposal including evaluation of admission data.

DP 33410 - Mental Health Community Services Development - This decision package adds $3,764 tobacco settlement trust fund interest state special revenue in FY 2010 and $18,962 in FY 2011 for operating costs (office space, travel, and leased vehicles.) for five half-time FTE who provide peer support to discharged MSH clients to assist in community re-integration. The FTE are located in Missoula (two 0.50 FTE), Butte (two 0.50 FTE), and Helena (one 0.50 FTE).

DP 33414 - Annualize Home & Community Based Services Waiver - The 2007 Legislature accepted the executive proposal to continue and expand a home and community-based Medicaid waiver for adults with severe and disabling mental illness, similar to the waivers administered for elderly, physically disabled, and developmentally disabled adults.

Program initiation has been slow, but gradual. Estimated FY 2008 expenditures are $734,500. This present law adjustment ($4,526,278 annually) requests the difference between the FY 2009 appropriation of $5,260,778 and FY 2008 estimated expenditures. Estimated expenditures in FY 2009 are $1.2 million. The request also increases state special revenue about $140,000 for the increase in the state Medicaid match. Figure 69 compares the number of slots funded to the number filled. As of October 2008, 70 percent of the slots were filled.

Figure 69
Number of Service Slots Authorized and Filled
Adult Mental Health Community Waiver Services

Location	FY2006 (6-30-2006)	FY2007 (6-30-2007)	FY2008 (6-30-2008)	FY2009* (10-8-2008)
Billings		6	34	41
Butte		2	17	23
Great Falls		1	17	24
Total Filled	0	9	68	88
Total Authorize	105	105	125	125
Percent Occupa	0.0%	8.6%	54.4%	70.4%
Base Year Cost			$734,500	
Average Cost Per Slot			10,801	

*Slots filled as of 10/8/08.

LFD ISSUE

Average Annual Cost and Enrollment may be Lower than Executive Request

The executive request to bring the funding for the AMDD waiver to full enrollment may be overstated. The executive budget is based on an annual cost of $42,086 per slot compared the FY 2008 average of $10,081. If the annual 2011 biennium budget request were based on the FY 2008 average, the cost to fully fund the waiver would be $3.9 million lower ($1.3 million health and Medicaid initiatives state special revenue). Figure 70 shows the FY 2008 enrollment, average cost, and the annual waiver cost in the 2011 biennium for the executive budget and the difference if the FY 2008 average cost per slot were used.

Figure 70
Annual Cost per Waiver Slot
FY 2008 Compared to Budget Request

Cost/Slots	FY 2008	FY 2010 & FY 2011
Total Cost	$734,500	$5,260,778
Total Slots	68	125
Average Cost	$10,801	$42,086
Executive Request		$5,260,778
Cost Using FY 2008 Average		1,350,184
Annual Difference		$3,910,594
State Match Difference		$1,289,323

The waiver program is still developing. Using the FY 2008 cost to develop the 2011 biennium cost estimates may not be representative of more recent experience; however, the annual projected cost in the 2011 biennium seems very high in comparison. The LFD has requested recent monthly data to evaluate current waiver costs.

Legislative Option
The legislature may wish to review the most recent data if it decides to approve the executive request. The cost to annualize the waiver may be lower than the executive budget.

LFD ISSUE (CONT.) Enrollment is increasing in the waiver. However, full enrollment at 125 slots may not be reached by June 30 and the FY 2010 cost may be overstated.

Legislative Option
The legislature may wish to evaluate the most recent data for the waiver and use the average cost to develop the cost estimate for annualizing the cost of the AMDD waiver. The legislature may also wish to review the most recent enrollment figures to determine when the waiver might reach full enrollment.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: The program is designed to provide individuals with severe mental illnesses, that otherwise would require a nursing home level of care, a package of services including case management, nursing, personal assistance services, and homemaker services to enable them to remain in their homes.

Goals:

- Provide community-based services to 125 individuals with severe mental illnesses as an alternative to nursing home level of care
- Develop resources in targeted communities to meet the health care needs of individuals who are eligible for this waiver and who have chosen to participate

Performance Criteria and Milestones:

- By January 2009, complete annual audit of all individual care plans to evaluate effectiveness of services and identify unmet needs
- Assess feasibility of requesting an expansion of targeted communities and number of slots through an amendment to the waiver without additional funding.

FTE: There are no FTE associated directly with this service. The AMDD Mental Health Services Bureau is responsible for providing program direction and analysis.

Funding: This program is funded from health and Medicaid initiatives state special revenue ($2,963,807) and federal Medicaid funds ($6,088,749).

The program is currently operating in three geographical areas: Billings, Butte, and Great Falls. In those communities, the program is managed by a primary contractor that, in turn, contracts with several subcontractors for individualized wrap around services.

Challenges to Implementation: Barriers to enrollment have included recruitment and training of case management teams, AMDD staff, and community providers as well as development of appropriate services in targeted communities (i.e., housing).

Risks of Not Adopting Proposal: Without this service array, individuals would be served in nursing home settings.

LFD ISSUE

Evaluation Criteria are Nonspecific

The program is going to undertake an audit of all care plans to evaluate the effectiveness of services. However, there is nothing to indicate how effectiveness will be measured or quantified.

Legislative Option:
The legislature could ask for the evaluation criteria that the program will use to assess the quality and outcomes of waiver services. The legislature could adopt some or all of the criteria if it approves this request. The legislature could also ask the Legislative Finance Committee to track this initiative during the interim.

LFD ISSUE

Assess Enrollment

The legislature could assess enrollment levels again in early 2009 to determine whether the number of persons served is increasing. If not the legislature could consider whether to continue to fund all 125 waiver slots during the 2011 biennium.

Legislative Option:
The legislature could evaluate whether enrollment in the adult mental health waiver is increasing. If not, the legislature could consider:

- Approving a portion of the waiver request
- Restricting the appropriation to limit potential transfers to other uses
- Adopting language that would allow unused slots to transfer to other waivers or services that could be funded with health and Medicaid initiatives revenue

DP 33501 - MSH Restore OT/Holiday Worked /Aggregates - This request adds $2,914,789 general fund in FY 2010 and $3,002,233 in FY 2011 for personal services costs that were removed from the FY 2008 base budget for Montana State Hospital. The funding would pay overtime, shift differential, holidays worked, and doctor on-call services to provide 24 hour staffing.

This request also includes the funding of aggregate positions. Aggregate positions are used to provide coverage for staff on sick leave, vacation leave, and in nurse aide training classes.

The request inflates personal services costs in anticipation of a 3 percent pay increase.

DP 33502 - MSH Present Law Adjustments - This request adds $531,713 general fund in FY 2010 and $619,767 in FY 2011 for inflationary cost increases for pharmacy, medical expenses for residents without Medicare, Medicaid or personal funds. It also increases funding for food services and upgrades to computer software at the state hospital.

DP 33503 - Reduce MSH Base Budget - In FY 2008, the Montana State Hospital transferred $775,000 general fund from personal services to cover additional operating costs at the hospital. $618,310 of that amount was spent and the balance was reverted. This request reduces the base budget by $618,310 and brings the budget back to the appropriated 2008 level. The executive budget includes a new proposal, NP33775, to request additional general fund support.

DP 33601 - MMHNCC Restore OT/Holiday Worked/Aggregates - This request adds $451,474 general fund in FY 2010 and $474,367 in FY 2011 for the Montana Mental Health Nursing Care Center (MMHNCC) for personal services costs that are zero-based. These costs include overtime, differential, and holidays worked and are related to operating a medical facility with 24 hour staffing. The request also includes funding for a 3 percent pay plan increase.

DP 33602 - MMHNCC Present Law Adjustments - This present law adjustment funds inflation increases in pharmacy, and outside medical services, replacement equipment, and nursing facility bed tax for MMHNCC. The request adds $192,476 general fund in FY 2010 and $302,479 in FY 2011.

New Proposals

New Proposals										
	Fiscal 2010					Fiscal 2011				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 33408 - Annualize Intensive Community Services (Goal 189)										
01	0.00	800,000	0	0	800,000	0.00	800,000	0	0	800,000
DP 33701 - Provider Rate Increase - AMDD										
01	0.00	172,078	0	204,468	376,546	0.00	355,087	0	418,974	774,061
DP 33775 - Restore Operating Base Budget Reduction @ MSH										
01	0.00	400,000	0	0	400,000	0.00	400,000	0	0	400,000
Total	**0.00**	**$1,372,078**	**$0**	**$204,468**	**$1,576,546**	**0.00**	**$1,555,087**	**$0**	**$418,974**	**$1,974,061**

DP 33408 - Annualize Intensive Community Services (Goal 189) - This new proposal adds $1.6 million general fund over the biennium to provide community-based services to uninsured individuals, who would otherwise have difficulty in transitioning from MSH to community services.

This proposal continues the Intensive Community Services (Goal 189) agency initiative started in FY 2008, with expenditures of $218,860. It is estimated that the program will cost $1.3 million general fund in FY 2009. It is the expectation of the department that the program can be successfully funded at a slightly lower level than FY 2009 by discontinuing the daily payment guarantee for group home beds.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: The initiative is designed to enable MSH to maintain its daily census as close to 189 as possible by developing new community services to serve the uninsured individuals needing more a intensive level of community care.

Goals and Objectives:

- Expand community based services to adequately serve individuals needing intensive services upon discharge from the state hospital or who are at risk of readmission to the hospital.
- Provide funding for community supports and resources to aid in transition and integration into community
- Provide timely access to treatment throughout the state to:
  - Help reduce the number of individuals who must be admitted to the state hospital.
  - Discharge individuals sooner, where they can be treated in a community setting; therefore reducing the census as well.

Performance Criteria and Milestones:

- Number of patients discharged with services and supports funded by this initiative
- Readmission rates for this population at 60, 90, 180 days compared with all discharges

FTE: None. Program support and analysis is provided through the AMDD Mental Health Services Bureau.

Funding: $800,000 general fund each year.

Evaluation: The effectiveness of this program will be gauged through the daily census reports from MSH, as well as the number of individuals served within the community setting.

Obstacles: Development of new resources (group home beds) delayed implementation until June 2008. Programs administered through individual contracts and agreements is time-consuming for providers and AMDD staff.

Risk: Without these resources, the ability to keep the MSH census near the licensed capacity would be difficult. Further, uninsured individuals may struggle to find necessary crisis services in the community.

LFD ISSUE

Evaluation Criteria are Good, but Need Benchmarks and Time Frames

The performance criteria for this initiative are good. They are specific and will enable agency staff, the public, and legislators to determine whether the Goal 189 services are effective. However, there is no bench mark/time period with data from which to start. For instance, if 100 persons receive services from this initiative, it would be good to know the time frame measured. If readmission rates vary significantly between time periods that information would initiate discussions to either discontinue or improve services if the performance declines, or potentially expand services or replicate services in other areas of the state if performance improves. Since these services are funded 100 percent from the general fund and are provided regardless of ability to pay, the legislature may wish to consider restricting the appropriation.

Legislative Options:
If the legislature approves this request it could:
1. Request that the agency develop bench marks and designate a starting point as well as the time period to be measured and adopt those bench marks and measures
2. Restrict the appropriation to be used for transitioning persons from or preventing their imminent placement to MSH

<u>DP 33701 - Provider Rate Increase - AMDD -</u> This new proposal funds one percent provider rate increase for each year of the 2011 biennium. The request includes $718,334 general fund, $11,429 state special revenue, and $646,837 federal funds for a total increase of $1,376,600 for the division over the biennium. The portion of the request allocated to mental health providers is $1.1 million, including $305,100 general fund. The portion allocated to chemical dependency providers is $226,100, including $191,200 general fund. The rate increase is delayed until October 1, making the effective increase 0.75 percent over each fiscal year.

<u>DP 33775 - Restore Operating Base Budget Reduction at MSH -</u> This budget request adds $400,000 general fund each year of the biennium to partially offset the reduction to base operating costs (PL 33503). In FY 2008, operating expenditures exceeded the hospital appropriation due to increased workload from the high census and other miscellaneous operating cost increases such as pharmacy management fees, building and grounds maintenance, and utilities. $775,000 was transferred from personal services appropriations to fund $618,310 of operating costs. $156,690 reverted as unspent funds at year end. This proposal would restore the base operating level of expenditure.

LFD COMMENT

Potential Personal Services Funding Excess

MSH like other medical institutions has difficulty in recruitment and retention of medical staff. Budget requests for personal services are developed using current FTE levels and pay grades and assume all staff positions are full. The 2011 biennium executive budget also imposed vacancy savings of 4 percent on all programs.

The legislature may wish to discuss the current and anticipated medical staff vacancy rates with AMDD personnel. If vacancy rates remain high there may be excess personal services authority that could be used to offset these operating cost increases.

Sub-Program Details

ADDICTION TREATMENT & PREVENTION 02

Sub-Program Proposed Budget
The following table summarizes the proposed executive budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011	Total Exec. Budget Fiscal 10-11
FTE	64.25	0.00	4.00	68.25	0.00	4.00	68.25	68.25
Personal Services	3,448,543	341,277	259,216	4,049,036	365,152	260,247	4,073,942	8,122,978
Operating Expenses	3,507,836	219,860	10,000	3,737,696	273,296	4,500	3,785,632	7,523,328
Grants	2,345,350	446,137	9,480	2,800,967	446,087	19,196	2,810,633	5,611,600
Benefits & Claims	7,069,231	72,723	65,146	7,207,100	106,491	132,171	7,307,893	14,514,993
Debt Service	9,353	4,800	0	14,153	4,800	0	14,153	28,306
Total Costs	**$16,380,313**	**$1,084,797**	**$343,842**	**$17,808,952**	**$1,195,826**	**$416,114**	**$17,992,253**	**$35,801,205**
General Fund	1,990,356	110,051	63,197	2,163,604	110,047	127,972	2,228,375	4,391,979
State/Other Special	4,477,987	512,590	272,932	5,263,509	606,485	272,460	5,356,932	10,620,441
Federal Special	9,911,970	462,156	7,713	10,381,839	479,294	15,682	10,406,946	20,788,785
Total Funds	**$16,380,313**	**$1,084,797**	**$343,842**	**$17,808,952**	**$1,195,826**	**$416,114**	**$17,992,253**	**$35,801,205**

Sub-Program Description
The Addiction Treatment and Prevention Program budget request grows $3.0 million over the biennium, including $0.4 million general fund. Present law adjustments for overtime pay and inflation for certain operating costs and new proposals that add 4.00 FTE for the Montana Chemical Dependency Center (MCDC) are $1.1 million of the change. MCDC adjustments are funded entirely from the alcohol tax state special revenue account. Federal grant funds for prevention of binge drinking increase about $1 million. General fund supports group home services for community meth treatment.

Budget Summary By Category
The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	1,990,356	1,990,356	3,980,712	90.64%	16,380,313	16,380,313	32,760,626	91.51%
Statewide PL Adjustments	(9,161)	(8,970)	(18,131)	(0.41%)	103,032	120,646	223,678	0.62%
Other PL Adjustments	119,212	119,017	238,229	5.42%	981,765	1,075,180	2,056,945	5.75%
New Proposals	63,197	127,972	191,169	4.35%	343,842	416,114	759,956	2.12%
Total Budget	**$2,163,604**	**$2,228,375**	**$4,391,979**		**$17,808,952**	**$17,992,253**	**$35,801,205**	

Present Law Adjustments
The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010 FTE	Fiscal 2010 General Fund	Fiscal 2010 State Special	Fiscal 2010 Federal Special	Fiscal 2010 Total Funds	Fiscal 2011 FTE	Fiscal 2011 General Fund	Fiscal 2011 State Special	Fiscal 2011 Federal Special	Fiscal 2011 Total Funds
Personal Services					245,857					263,128
Vacancy Savings					(147,770)					(148,462)
Inflation/Deflation					4,030					5,109
Fixed Costs					915					871
Total Statewide Present Law Adjustments					**$103,032**					**$120,646**
DP 33201 - Medicaid FMAP - Chemical Dependency	0.00	0	16,008	(16,008)	0	0.00	0	22,702	(22,702)	0
DP 33202 - CD Medicaid Caseload Adjustment	0.00	0	23,642	49,081	72,723	0.00	0	35,110	71,381	106,491
DP 33203 - Annualize Meth & CD Regional Services Expansion	0.00	119,212	0	0	119,212	0.00	119,017	0	0	119,017
DP 33206 - Strategic Prevention Framework Incentive Grant	0.00	0	0	446,137	446,137	0.00	0	0	446,087	446,087
DP 33301 - MCDC Restore OT/Holidays Worked/Aggregates	0.00	0	243,190	0	243,190	0.00	0	250,486	0	250,486
DP 33302 - MCDC Present Law Adjustments	0.00	0	100,503	0	100,503	0.00	0	153,099	0	153,099
Total Other Present Law Adjustments	**0.00**	**$119,212**	**$383,343**	**$479,210**	**$981,765**	**0.00**	**$119,017**	**$461,397**	**$494,766**	**$1,075,180**
Grand Total All Present Law Adjustments					**$1,084,797**					**$1,195,826**

DP 33201 - Medicaid FMAP - Chemical Dependency - This adjustment adds $38,710 alcohol state special revenue over the biennium and reduces federal funds by the same amount due to the increase in the state Medicaid match rate.

DP 33202 - CD Medicaid Caseload Adjustment - Chemical dependency Medicaid services are estimated to increase by 2.2 percent each year of the 2011 biennium. This request adds $72,723 in FY 2010 ($23,642 in SSR and $49,081 in federal funds) and $106,491 in FY 2011 ($35,110 in SSR and $71,381 in federal funds) for this increase. Base expenditures were $1.5 million.

DP 33203 - Annualize Meth & CD Regional Services Expansion - This budget request adds $238,229 general fund over the biennium for the seven treatment homes developed in FY 2008. The 2007 Legislature approved the first major general fund appropriation to support chemical dependency services when it approved $2.0 million general fund each year of the biennium for this expansion.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: Methamphetamine use continues to impact communities across Montana. An increased level of community based services based on best treatment strategies for methamphetamine treatment is necessary to address this problem. Methamphetamine clients need the range of services and continuum of care represented in biopsychosocial treatment for optimum results. The ideal treatment process consists of a treatment initiation phase, an abstinence attainment phase and a maintenance phase with long-term support

Goals and Objectives:

- Expand community based services to successfully deal with this growing problem.
- Provide community based services that address the needs of male, female, and Native Americans across the state.
- To provide timely access to treatment is critical to address the problem, and reduce costs to the medical, correctional, and public health systems.

Performance Criteria and Milestones:
- o Increase admissions to community based services with the implementation of NIATx (Network for the Improvement of Addiction Treatment) principles
- o To reduce waiting time between the first request for service and first treatment session.

FTE: None. Program support and analysis is provided by AMDD Chemical Dependency Bureau.

Funding: $2.2 million general fund each year of the biennium

Evaluation: The effectiveness of the community-based programs will be evaluated on a quarterly and annual basis through data submitted by non-profit corporations. Quality Assurance Division undertakes annual site reviews of all state-approved programs.

Obstacles: Many individuals using meth suffer from co-occurring disorders and deal with mental health issues as well. This issue has far reaching impacts on the medical, correctional, and public health systems across the state. With seven residential homes, each having a maximum capacity of eight residents, there can be a waiting list for admission into treatment.

Risk: Meth use will continue to grow, and if not addressed by the combined efforts of media, enforcement, treatment and recovery Montana will continue to see increased injury and death, in addition to escalating costs to medical, correctional, and public health systems.

LFD ISSUE

Evaluation Criteria are Nonspecific and not Tied to Original Legislative Goals

The performance measures are very general and do not allow policy makers to evaluate whether the program is performing well or poorly. The objectives of the community treatment beds funded by the 2007 Legislature were more specific in types of outcomes, although the criteria also lacked specific measures.

The 2007 Legislature approved funding for the community treatment group homes and expected evaluation of the services using the following criteria:
- o Increase in the length of time of non-use
- o Decrease in the number of encounters with law enforcement
- o Decrease in the admissions to inpatient treatment
- o Increase in the length of gainful employment

Attainment of these measures would provide more valuable information to the legislature than counting admissions and the length of time before a person is admitted to services.

Legislative Options:
The legislature could ask AMDD to provide specific measures related to the objectives funded by the legislature when it approved the expansion. The legislature could also ask that the objectives be enhanced and tied to specific data and time periods so that program reports could be compared to bench marks. Without these specifics the legislature will not know whether the program achieved what was expected when the legislature approved funding.

Contractors are to provide data to AMDD quarterly to allow evaluation of the program services. The legislature could ask AMDD to provide preliminary data related to the objectives funded by the 2007 Legislature.

LFD COMMENT

Agency Administrative Costs Overstated; Benefits and Claims Understated

The expenditures for treatment services are recorded as an operating cost rather than the cost of providing services to eligible individuals. Categorization of payments for services to specific individuals as an administrative cost misstates the amount of funding approved by the legislature for services to Montanans. This accounting decision makes it appear that legislators increased funding for administration of state programs rather than treatment services. The LFD will reallocate expenditures that fund services for individuals to the benefits category of expenditure to reflect how the legislature expected the funds to be used when it made the appropriation.

DP 33206 - Strategic Prevention Framework Incentive Grant - This present law adjustment requests federal grant authority of $446,137 in FY 2010 and $446,087 in FY 2011. This grant will assist in helping communities develop 'how to' manuals for prevention activities related to binge drinking. The manuals will include direction on integrating data, developing a licensure for prevention professionals and building data and evaluation of knowledge and use. Funding will support community grants. Base expenditures were $1.8 million.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: Binge drinking has been identified as a continual problem in Montana, especially in the youth population. Montana continues to lead the country with its incidence of drunken driving deaths. Lifespan drinking beginning at youth is a perpetual problem in the state.

Goals and Objectives:
- Build infrastructure and capacity to prevent or diminish binge and lifespan drinking
- Expand the epidemiological workgroup
- Build functionality for prevention through leadership, cooperation, and action
- Expand the knowledge, skills, and abilities of state and community prevention personnel
- Reduce incidence of drunk driving deaths and injuries in Montana
- Assist communities in developing "how to" manuals for prevention activities
- Assist communities in building, integrating, and evaluating prevention data
- Develop a licensure program for prevention professionals

Performance Criteria:
- Did the community develop a local strategic prevention plan?
- Did the community identify one or more casual factors on which to focus?
- Did the community identify additional stakeholders and create new partnerships to advance the plan? Who else needs to be involved?
- Did the community select and implement effective strategies linked to impacting casual factors?
- Did positive change occur at the community level in the substance abuse problem in the population that was targeted?
- Were there related changes in casual factors linked to the substance abuse related problems?

Milestones:
- Did the community plan work and overcome the challenges that were addressed?
- Did the community focus on one or more identified casual factors?
- Were additional stakeholders identified and were they utilized to assist in advancing the plan?
- Were effective strategies identified and implemented that impacted casual factors?
- Did positive change occur at the community level related to the substance abuse problem?

FTE: None

Funding: $2.2 million federal grant funds each year of the biennium

Evaluation: The effectiveness of the community-based programs will be evaluated on a quarterly and annual basis through performance based contracts. Data will be entered and evaluated through the Substance Abuse Management System (SAMS).

Obstacles: Possible decrease in federal grant funding

Risk: Fatalities due to vehicle crashes and binge drinking, especially with youth

LFD ISSUE

Performance Criteria are Vague

The contracts governing the community grants are performance based and will be evaluated for outcomes. However, the expanded justification does not include the types of measures that will be needed for federal grant reporting.

Legislative Option:
The legislature may wish to request the specific measures that AMDD will use to evaluate some of the objectives, such as measuring the effectiveness of the community based programs, whether positive change occurred at the community level in the substance abuse problem in the population that was targeted, and whether there were related changes in casual factors linked to the substance abuse related problems. The legislature could adopt some of the same measures for its evaluation.

DP 33301 - MCDC Restore OT/Holidays Worked/Aggregates - This request adds $243,190 in FY 2010 and $250,486 in FY 2011 in alcohol state special revenue funds for personal services costs that were removed from the FY 2008 base budget for MCDC. This request funds overtime and holidays worked, with benefits, and funding of aggregate positions. Aggregate positions are used to provide coverage for staff on sick leave, vacation leave, and in staff training classes.

DP 33302 - MCDC Present Law Adjustments - This request adds $100,503 in alcohol tax state special revenue funds in FY 2010 and $153,099 in FY 2011 to address inflation increases for pharmacy, laboratory, outside medical and dental, facility rent, and food services.

New Proposals

New Proposals											
	Fiscal 2010					Fiscal 2011					
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 33701 - Provider Rate Increase - AMDD											
02	0.00	63,197	3,716	7,713	74,626	0.00	127,972	7,713	15,682	151,367
DP 33702 - MCDC Modified Positions											
02	1.00	0	115,534	0	115,534	1.00	0	116,019	0	116,019
DP 33707 - MCDC Staff Positions											
02	3.00	0	153,682	0	153,682	3.00	0	148,728	0	148,728
Total	4.00	$63,197	$272,932	$7,713	$343,842	4.00	$127,972	$272,460	$15,682	$416,114

DP 33701 - Provider Rate Increase - AMDD - This new proposal funds one percent provider rate increase for each year of the 2011 biennium. The request includes $718,334 general fund, $11,429 state special revenue, and $646,837 federal funds for a total increase of $1,376,600 for the division over the biennium. The portion of the request allocated to mental health providers is $1.1 million, including $305,100 general fund. The portion allocated to chemical dependency

providers is $226,100, including $191,200 general fund. The rate increase is delayed until October 1, making the effective increase 0.75 percent over each fiscal year.

DP 33702 - MCDC Modified Positions - This new proposal requests $231,553 in state special revenue to continue a modified position for an advanced practice registered nurse (APRN) approved in FY 2008. The APRN provides assistance to the single medical physician employed by MCDC on a regular and on-call basis. Without the APRN position, the physician is responsible for all on-call hours evenings and weekends. Census levels have remained higher than previous years and medical staff needs to be readily available to provide comprehensive health screenings

DP 33707 - MCDC Staff Positions - This new proposal requests $302,410 in state special revenue for the 2011 biennium to add one registered nurse and two case managers at MCDC. The request includes $287,910 in personal services and $14,500 in operating expenses. The new registered nurse FTE would increase the nurse coverage on afternoon shifts and weekends. The new case managers would coordinate with the clinical treatment teams, probation officers, family services, the legal system, referral sources, and other outside sources involved in a patient's treatment to coordinate continued care and discharge planning (make follow-up appointments with CD providers, mental health providers, medical providers and others), and obtain placement confirmations for housing and employment. The new staff woul eliminate the amount of time that clinical staff spends coordinating these services, allowing them more time to focus their efforts on clinical treatment and recordkeeping.

Sub-Program Details

AMDD DIVISION ADMIN 03

Sub-Program Proposed Budget
The following table summarizes the proposed executive budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011	Total Exec. Budget Fiscal 10-11
FTE	15.00	0.00	0.00	15.00	0.00	0.00	15.00	15.00
Personal Services	1,050,858	(2,164)	0	1,048,694	(823)	0	1,050,035	2,098,729
Operating Expenses	540,493	35,653	0	576,146	45,961	0	586,454	1,162,600
Benefits & Claims	50,000	0	0	50,000	0	0	50,000	100,000
Debt Service	1,402	0	0	1,402	0	0	1,402	2,804
Total Costs	**$1,642,753**	**$33,489**	**$0**	**$1,676,242**	**$45,138**	**$0**	**$1,687,891**	**$3,364,133**
General Fund	905,441	85,235	0	990,676	91,790	0	997,231	1,987,907
State/Other Special	158,926	(9,894)	0	149,032	(8,937)	0	149,989	299,021
Federal Special	578,386	(41,852)	0	536,534	(37,715)	0	540,671	1,077,205
Total Funds	**$1,642,753**	**$33,489**	**$0**	**$1,676,242**	**$45,138**	**$0**	**$1,687,891**	**$3,364,133**

Sub-Program Description
The executive budget request for the AMDD division administration function grows about $79,000 over the biennium from a base expenditure level of $1.6 million. However, the executive budget increases general fund $177,000 over the biennium. The executive request shifts a higher percent of the cost allocated expenses to the general fund. The funding change was made in the adjusted base budget in anticipation of a federal grant fund reduction.

LFD ISSUE

Present Law General Fund Shift

The FY 2010 and FY 2011 budget requests changed funding ratios for general fund, state special revenue, and federal funds compared to base budget funding, shifting $53,039 more cost to the general fund and lowering costs to state special revenue by $33,060 and to federal funds by $19,979. It appears the cost shift was made in anticipation of federal grant fund reductions.

Legislative Option
The legislature could fund the cost allocated functions in the 2011 biennium according to the same cost ratios as base budget expenditures, thereby lowering general fund outlays by $53,039.

Budget Summary By Category
The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	905,441	905,441	1,810,882	91.09%	1,642,753	1,642,753	3,285,506	97.66%
Statewide PL Adjustments	65,689	66,573	132,262	6.65%	(1,696)	(256)	(1,952)	(0.06%)
Other PL Adjustments	19,546	25,217	44,763	2.25%	35,185	45,394	80,579	2.40%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	**$990,676**	**$997,231**	**$1,987,907**		**$1,676,242**	**$1,687,891**	**$3,364,133**	

Present Law Adjustments

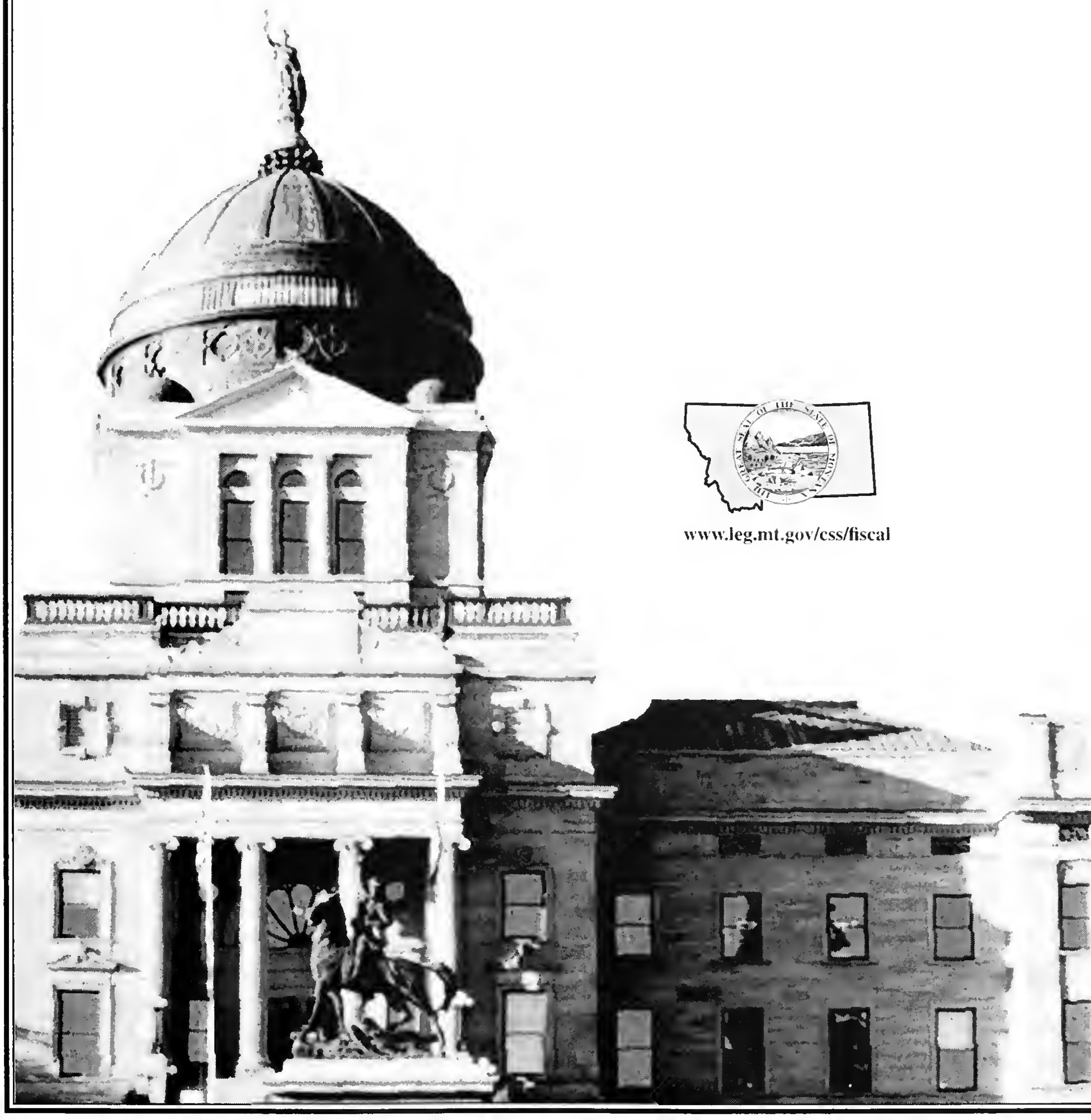
The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2010 FTE	Fiscal 2010 General Fund	Fiscal 2010 State Special	Fiscal 2010 Federal Special	Fiscal 2010 Total Funds	Fiscal 2011 FTE	Fiscal 2011 General Fund	Fiscal 2011 State Special	Fiscal 2011 Federal Special	Fiscal 2011 Total Funds
Personal Services					41,533					42,929
Vacancy Savings					(43,697)					(43,752)
Inflation/Deflation					718					817
Fixed Costs					(250)					(250)
Total Statewide Present Law Adjustments					**($1,696)**					**($256)**
DP 33101 - AMDD Operations Present Law Adjustments	0.00	11,438	1,758	7,394	20,590	0.00	13,227	2,033	8,551	23,811
DP 33102 - AMDD Rent Increase	0.00	8,108	1,246	5,241	14,595	0.00	11,990	1,843	7,750	21,583
Total Other Present Law Adjustments	**0.00**	**$19,546**	**$3,004**	**$12,635**	**$35,185**	**0.00**	**$25,217**	**$3,876**	**$16,301**	**$45,394**
Grand Total All Present Law Adjustments					**$33,489**					**$45,138**

DP 33101 - AMDD Operations Present Law Adjustments - This request for $20,590 in FY 2010 and $23,811 in FY 2011 funds additional software maintenance for medical records systems and data consultants for IT system improvements at Montana State Hospital. This funding request includes $24,665 of general fund over the biennium and $19,736 in other funds. Base expenditures were $48,662.

DP 33102 - AMDD Rent Increase - This request adds $36,178 over the biennium for rent increases at the AMDD headquarters building in Helena. The request includes $20,098 in general fund and $16,080 in other funds over the biennium. Base expenditures were $125,161.

Glossary / Acronyms / Index



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Glossary

A number of terms are used extensively in budgeting and appropriations. The most common terms, which are used throughout the budget analysis and in other fiscal materials, are listed and defined below.

Appropriations – An authorization by law for the expenditure of funds or to acquire obligations. Types of appropriations are listed below.

> *Biennial* – A biennial appropriation is an appropriation made in the first year of the biennium, where the appropriated amount can be spent in either year of the biennium.
>
> *Budget amendment* – See "Budget Amendment" below.
>
> *Continuing* – An appropriation that continues beyond one biennium.
>
> *Language* – An appropriation made in the language of the general appropriations act for a non-specific or limited dollar amount. Language appropriations are generally used when an agency knows that it will be receiving federal or state special revenue funds but is uncertain as to the amount.
>
> *Line Item* – An appropriation made for a specific purpose and which cannot be used for any other purpose. Line item appropriations highlight certain appropriations and ensure that they can be separately tracked on the state accounting system.
>
> *One-time* – Appropriations for a one-time purpose that are excluded from the base budget in the next biennium.
>
> *Restricted* – An appropriation designated for a specific purpose or function.
>
> *Statutory* – Funds appropriated in permanent law rather than a temporary bill. All statutory appropriations references are listed in 17-7-502, MCA.
>
> *Temporary* - An appropriation authorized by the legislature in the general appropriations act or in a "cat and dog" bill that is valid only for the biennium.

Appropriation Transfers (also see "Supplemental Appropriation") – The transfer of funds appropriated for the second year of the biennium to the first if the Governor or other approving authority determines that due to an unforeseen or unanticipated emergency there are insufficient funds in the first year for the operation of an agency.

Approving Authority – The entity designated in law as having the authority to approve certain budgetary changes during the interim. The approving authorities are:

- The Governor or his/her designated representative for executive branch agencies
- The Chief Justice of the Supreme Court or his/her designated representative for the judicial branch agencies
- The Speaker of the House of Representatives for the House;
- The President of the Senate for the Senate
- The appropriate standing legislative committees or designated representative for the legislative branch divisions
- The Board of Regents of Higher Education or their designated representative for the university system

Average Daily Population (ADP) – The population measure used to calculate population in the Montana correctional system. ADP is equivalent to one inmate incarcerated for one year.

Average Number Belonging (ANB) – The enrollment measure used for K-12 BASE aid calculations. ANB is the equivalent of one full-time student enrolled in school for the full school year.

Base – The level of funding authorized by the previous legislature.

Base Budget – The resources needed for the operation of state government that provide for expenses of an ongoing and non-extraordinary nature in the current biennium.

Benefits – An expenditure category used to account for the provision of payments or services by the government to individuals who qualify for receipt of those payments or services, such as Medicaid benefits. Personal services benefits for state employees are included in the personal services expenditure category.

Biennial Appropriation – An appropriation that can be expended in either or both years of the biennium.

Biennium – A two-year period. For the state, this period begins July 1 of the odd-numbered years and ends June 30 of the following odd-numbered year.

Budget Amendments – Temporary authority to spend unanticipated non-general fund revenue received after the legislature adjourns. The funds must be used to provide additional services and cannot make a commitment of general fund support for the present or future.

Cat and Dog Appropriations – One-time appropriations made in bills other than the general appropriations act.

Debt Service – The payment on outstanding bonds.

Decision Package – Separate, specific adjustments to the base budget. Decision packages can be either present law adjustments or new proposals.

Earmarked Revenue – Funds from a specific source that can be spent only for designated activities.

Enterprise Funds – A fund used to account for operations financed and operated similar to private business enterprises, where the intent of the legislature is to finance or recover costs, primarily through user charges.

Federal Special Revenue – Accounts deposited in the state treasury from federal sources, to be used for the operation of state government.

Fiduciary Funds – Funds used to account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds.

Fiscal Note - An estimate, prepared by the Office of Budget and Program Planning, of the probable revenues and costs that will be incurred as the result of a bill or joint resolution.

Fiscal Year (FY) aka State Fiscal Year (SFY) – A 12-month accounting period beginning July 1 and ending June 30. Fiscal year 2003 refers to the fiscal year ending June 30, 2003. (Note: The federal fiscal year (FFY) is October 1 through September 30.)

Fixed Costs – Fees (fixed costs) charged to agencies for a variety of services provided by other state agencies (e.g., payroll service fees, rent, warrant writing services, and data network services.).

FTE – Full-Time Equivalent position, or the equivalent of one person working full-time for the entire year. Also used to denote full-time equivalent students in the Montana University System for purposes of calculating state support.

Fund – A fiscal entity with revenues and expenses which are segregated for the purpose of carrying out a specific purpose or activity.

General Fund – Accounts for all governmental financial resources except those that must be accounted for in another fund.

General Fund Reversions – Unspent appropriated funds that are returned to the general fund at the close of the budget period.

Grants – An expenditure category used to account for the payment by a government entity to an individual or other entity who will perform a service.

HB 2 –The General Appropriations Act in which the legislature authorizes the funding for state government for the upcoming biennium. Each session, House Bill 2 is reserved for this purpose.

Indirect Cost – A cost necessary for the functioning of the organization as a whole, but which cannot be directly assigned to a specific division or agency.

Interim – The time between regular legislative sessions.

Internal Service Funds – Funds use to account for the financing of goods and services provided by one department or agency to other departments, agencies, or governmental entities on a cost-reimbursement basis.

IRIS - The Integrated Revenue Information System (IRIS) is an automated system to administer taxes that are the responsibility of the Department of Revenue to collect.

Local Assistance – An expenditure classification primarily used to account for expenditures made for K-12 funding provided by the state to school districts.

MBARS – The Montana Budget Analysis and Reporting System, which provides all state agencies with one computerized system for budget development, maintenance and tracking, and is integrated with the State Accounting, Budget, and Human Resource System (SABHRS).

Mill – The property tax rate based on the valuation of property. A tax rate of one mill produces one dollar of taxes on each $1,000 of assessed property value.

New Proposals – Requests (decision packages) to provide new non-mandated services, to change program services, to eliminate existing services, or to change the source of funds.

Non-budgeted Expenditures – Accounting entries for depreciation, amortization, and other financial transactions that appear as expenditures, but don't actually result in direct dispersal of funds from the state treasury.

Operating Expenses – All operating expenditures that do not meet the personal services and capital outlay classification criteria. These expenditures include, but are not limited to, professional services, supplies, rent, travel, and repair and maintenance.

Other Funds – Capital projects and fiduciary funds.

> *Capital projects fund* – Accounts for financial resources used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds or trust funds.
>
> *Fiduciary funds* – Trust and agency fund types used to account for assets held by state government in a trustee capacity or as an agency for individuals, private organizations, other governmental entities, or other funds.

Pay Plan – Provision by the legislature of a general adjustment to salaries and/or benefits paid to state employees. Also refers to the pay schedule listing the state salary rate for each classified position according to that position's grade and the market rate.

Personal Services –Expenditures for salaries, benefits, per diem, and other additions, such as overtime.

Personal Services Snapshot – The point in time at which personal services attributes are captured and from which the personal services budget is determined. The executive budget personal services costs are based on a "snapshot" of actual salaries for authorized FTE as they existed in a pre-determined pay period in the base year.

Present Law – The additional level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature.

Present Law Adjustments – Requests (decision packages) for an adjustment in funding sufficient to allow maintenance of operations and services at the level authorized by the previous legislature (e.g., caseload, enrollment changes, and legally mandated workload).

Program – A group of related activities performed by one or more organizational units for the purpose of accomplishing a function for which the government is responsible. Also, a grouping of functions or objectives that provides the basis for legislative review of agency activities for appropriations and accountability purposes.

Proprietary Funds – Enterprise or internal service funds. Statute does not require that most proprietary funds be appropriated.

> *Enterprise funds* – Funds that account for operations financed and operated in a manner similar to private business enterprises, and through which the intent is to provide goods or services to the public.
>
> *Internal service funds*- Funds that account for the financing of goods or services provided by one department or agency to other departments or agencies of state government.

Reporting Levels – Budget units dividing agency and program budgets into smaller units for the purpose of constructing, analyzing, and approving budgets.

SABHRS – The State Accounting, Budget, and Human Resource System that combines the state's accounting, budgeting, personnel, payroll, and asset management systems into one single system.

State Special Revenue – Accounts for money from state and other nonfederal sources that is earmarked for a particular purpose, as well as money from other non-state or nonfederal sources that is restricted by law or by the terms of an agreement.

Supplemental Appropriation – An additional appropriation made by the governing body after the budget year or biennium has started. There are two types of supplemental appropriations that can be used to increase spending authority for a fiscal year: 1) a transaction in an even-numbered year that moves spending authority from the second year of the biennium to the first year; or 2) an appropriation passed and approved by the legislature to provide authority for the odd-numbered fiscal year ending the current biennium.

Vacancy Savings – The difference between what agencies actually spend for personal services and the cost of fully funding all funded positions for the entire year.

Acronyms

AES	Agricultural Experiment Station
ADP	Average Daily Population
ANB	Average Number Belonging (K-12 education)
ARM	Administrative Rules of Montana
BASE Aid	Base Amount for School Equity Aid
BPE	Board of Public Education
C&A	Cultural and Aesthetic (Trust)
CC	Community Colleges
CES	Cooperative Extension Service
CHE	Commissioner of Higher Education
CHIP	Children's Health Insurance Program (also SCHIP)
CIO	Chief Information Officer
COPP	Commissioner of Political Practices
COT	College of Technology, followed by campus designation
CPI	Consumer Price Index
DEQ	Department of Environmental Quality
DMA	Department of Military Affairs
DNRC	Department of Natural Resources and Conservation
DOA	Department of Administration
DOA	Department of Agriculture
DOC	Department of Commerce
DOC	Department of Corrections
DOJ	Department of Justice
DOLI	Department of Labor and Industry
DOR	Department of Revenue
DP	Decision Package
DPHHS	Department of Public Health and Human Services
FCES	Forestry and Conservation Experiment Station
FMAP	Federal Medical Assistance Participation rate (Medicaid)
FSR	Federal Special Revenue
FSTS	Fire Services Training School
FTE	Full-Time Equivalent
FWP	Department of Fish, Wildlife, and Parks
FFY	Federal Fiscal Year
FY	Fiscal Year
FYE	Fiscal Year End
GAAP	Generally Accepted Accounting Principles
GF	General Fund
GSL	Guaranteed Student Loan
GTB	Guaranteed Tax Base
HAC	House Appropriations Committee
HSRA	Highways Special Revenue Account
I&I	Interest and Income
IRIS	Integrated Revenue Information System
IT	Information Technology
ITSD	Information Technology Services Division
LAD	Legislative Audit Division
LEPO	Legislative Environmental Policy Office
LFA	Legislative Fiscal Analyst
LFC	Legislative Finance Committee
LFD	Legislative Fiscal Division
LRBP	Long Range Building Program
LRP	Long Range Planning
LSD	Legislative Services Division
MAC	Montana Arts Council
MBARS	Montana Budgeting, Analysis, and Reporting System
MBCC	Montana Board of Crime Control
MBMG	Montana Bureau of Mines and Geology
MCA	Montana Code Annotated
MCHA	Montana Comprehensive Health Association
MDC	Montana Developmental Center
MDT	Montana Department of Transportation
MHP	Montana Highway Patrol
MHS	Montana Historical Society
MSDB	Montana School for the Deaf and Blind
MSF	Montana State Fund
MSL	Montana State Library
MSP	Montana State Prison
MSU	Montana State University, followed by campus designation i.e. MSU – Bozeman
MUS	Montana University System
NP	New Proposal
OBPP	Office of Budget and Program Planning
OCHE	Office of the Commissioner of Higher Education
OPI	Office of Public Instruction
PERS	Public Employees Retirement System
PL	Present Law
PSC	Public Service Commission
RIGWA	Resource Indemnity and Groundwater Assessment Tax
RIT	Resource Indemnity Trust
SABHRS	Statewide Accounting, Budgeting, and Human Resources System
SAFETEA-LU	Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users
SAO	State Auditor's Office
SF&C	Senate Finance and Claims Committee
SOS	Secretary of State
SSR	State Special Revenue
TANF	Temporary Assistance for Needy Families
TRS	Teachers' Retirement System
TSEP	Treasure State Endowment Program
UM	University of Montana, followed by campus designation i.e. UM – Missoula

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